



# Public Utilities

*FORTNIGHTLY*



Volume 53 No. 9

April 29, 1954

## NIAGARA SHOULD BE DEVELOPED THROUGH PRIVATE ENTERPRISE

*By The Honorable Homer E. Capehart  
U. S. Senator from Indiana*

« »

## Traffic Crisis—Is Subsidized Parking the Answer?

*By George W. Keith*

« »

## But You Can't Sell Kilowatts on Glamor

*By James H. Collins*

« »

## House Committee Report on Interior Appropriations

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS



## Blaw-Knox gas cleaner saves \$3600 a year in maintenance costs

For over 31 years, the compressor station illustrated above pumped an average of 3 million cubic feet of gas per day from Western Pennsylvania wells. During that time, damage to compressor parts from entrained dust cost the company \$3600 a year.

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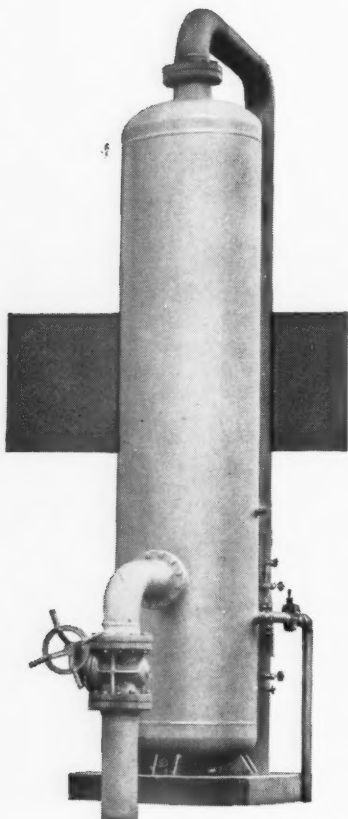
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*Blaw-Knox Equipment Division  
Gas Equipment Department  
Pittsburgh 38, Pennsylvania*





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# Public Utilities

## FORTNIGHTLY

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NUMBER 9



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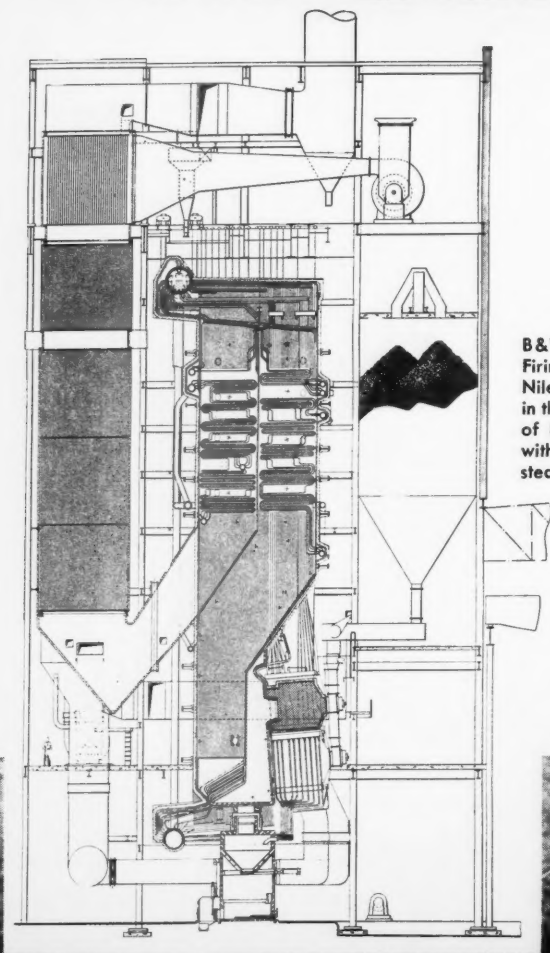
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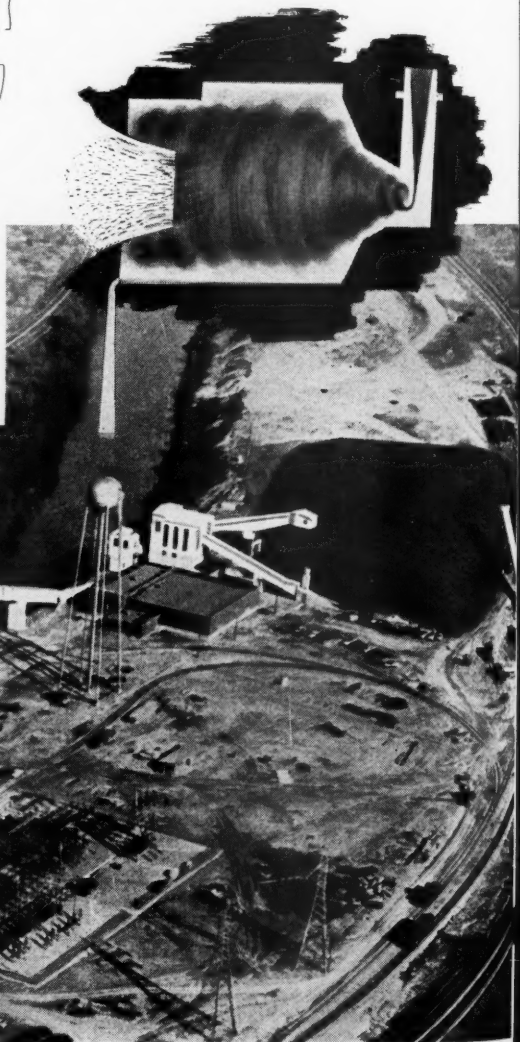
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# *New* **B&W** *Pressurized*

# *on the line at*



B&W Radiant Boiler with Cyclone Furnaces, Pressure-Firing, Cyclone Steam Separators and Reheat for the Niles Station of Ohio Edison Co. Each of the two units in this station has a maximum continuous steam capacity of 885,000 lb per hr. Design pressure is 1650 psi, with pressure at superheater outlet 1485 psi. Final steam temperature is 1000 F with reheat to 1000 F.



# zed Cyclone Furnace Boiler

## NILES STATION

Reflecting the need for additional power facilities in the area it serves, Niles Station is a tribute to the foresight of executives of Ohio Edison Company and its consulting engineers, Commonwealth Associates, Inc. Built into this new station are many technical advances to achieve economical construction costs while assuring efficient long-range power generation. For example, the two B&W Boilers for Niles Station, the first of which is now on the line, incorporate such engineering features as:

Cyclone Furnaces for efficient use of low grade coals, with provision for burning oil or gas when conditions warrant.

Pressure-Firing, with elimination of induced draft fans.

Cyclone Steam-Separators for natural circulation and high-purity steam to the turbine.

High superheated and reheated steam temperatures.

### Elimination of Heavy Fly-Ash Discharge with Cyclone Furnaces

Cyclone Furnace Boilers offer many advantages. One important feature is the elimination of heavy fly-ash discharge from the stack. Most of the ash from the burning coal is melted into easy-to-handle slag right in the Cyclone Furnace. This ash never gets into the gas stream, with the result that dust loading to the stack is reduced to very small amounts . . . *often less than that specified by dust loading codes*. The Cyclone Furnace offers many other benefits. Through simplification of the entire process of coal preparation, combustion, ash segrega-

tion, and ash handling, it makes possible economies in initial cost, operating labor and fuel consumption. Maintenance costs are cut because so much maintenance-causing machinery is eliminated.

### Higher Efficiency, Less Maintenance Through Pressure-Firing

Lower fuel consumption, easier operation, and less maintenance are made possible by pressure-firing and the elimination of induced draft fans. There is also a savings in auxiliary power consumption since the forced draft fan alone requires less power than that needed for a combination of forced and induced draft.

### Positive Circulation, Clean Steam with Cyclone Separators

Adequate circulation of water throughout the unit is assured with safety by B&W's efficient Cyclone Steam Separators. Located inside the drum, these simple, stationary devices require no power, need no maintenance, do not take up building room. In conjunction with Steam Scrubbers, the Cyclone Separators make it possible to send steam of highest purity to the turbine, contributing to greater turbine efficiency and decreasing the amount of turbine cleaning required.

\* \* \* \* \*

These and many other modern advances in combustion and high-pressure, high-temperature steam generation are available to you. We will be glad to discuss them with you in connection with your future plans. The Babcock & Wilcox Company, Boiler Division, 161 East 42nd Street, New York 17, N. Y.

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& WILCOX**



# Pages with the Editors

IT would be ironic indeed if the current controversy over further hydroelectric development on the Niagara should go down in history as the issue which was decided by mistake. And yet a review of a great many speeches and writings clearly shows an appalling amount of confusion between the Niagara development and the St. Lawrence development on the other side of Lake Ontario. Even proponents of legislation sometimes appear to be enmeshed in uncertainty by failure to distinguish between these important projects. Readers of this publication, of course, are well aware that while there are (or more correctly *were*) two sides to the St. Lawrence power development, there are at least three sides to the proposed Niagara development.

STATED in another way, the only choice which Congress and the Federal Power Commission had to make about St. Lawrence power was whether the federal government or the state of New York should undertake the American share in collaboration with the Province of Ontario. There never was any concrete proposal for investor-owned utility companies to take over any direct responsibility for the St. Lawrence development. As to Niagara, however, both state, federal, and private companies have been proposed in



GEORGE W. KEITH

various forms of legislation before the Congress. More recently there has even been a fourth suggestion, by Senator Case (Republican, South Dakota), to dump the whole matter in the lap of the Federal Power Commission.

WHATEVER is decided, it is certain that a confusion of reasoning and arguments appropriate to one of these developments (the St. Lawrence) should not be used to complicate the other. And inasmuch as the decision already has been rendered to permit the state of New York to develop the St. Lawrence, this admonition on behalf of clarity is directed necessarily to the Niagara controversy.



HOMER E. CAPEHART

LAST July, before the Senate Public Works Committee, New York's Governor Dewey, among others, made several points in support of the construction of Niagara hydroelectric development by the state of New York. The governor was opposing construction by five privately owned electric utilities in that state, as provided in the Capehart-Martin-Miller Bill. More recently, U. S. SENATOR HOMER E. CAPEHART (Republican, Indiana) has made a careful refutation of the Dewey thesis, going back over the political history of state policy and statutory development with respect not only to Niag-



# Here's Proof of Performance...

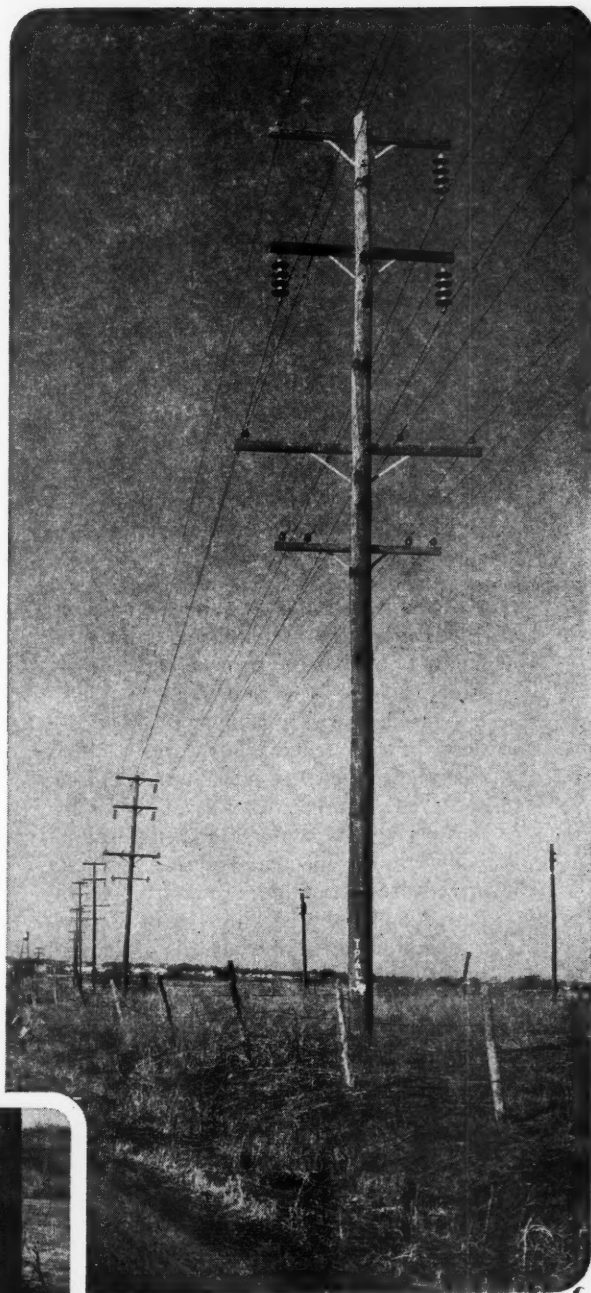
**3 out of 4  
pressure-creosoted poles  
in this line  
are still standing  
*after 38 years***

More than 40 years ago, Texas Power & Light Company turned to the use of pressure-creosoted poles to counteract the effect of weather and decay. It was a wise choice and officials of the utility say today: "We have saved many thousands of dollars over the years through our use of creosoted poles."

A good example of the service life of pressure-creosoted poles is the Company's line between the Jenkins substation in Dallas County, and Royse City. Here 475 creosoted Southern Yellow Pine poles were installed in 1916. Today, three of every four of these original poles are still standing in spite of the temperature extremes and biting winds encountered in this area.

When you compare this kind of a service record with the 10 to 20 years of life Texas Power & Light is getting from untreated poles, you have real proof of the effectiveness of Creosote's protection. Be sure your poles are pressure-treated for extra life with U-S-S Creosote. This wood preservative is the product of continuous processing at the plants of United States Steel. As such, it is a uniform product, made to give you uniformly good results. For complete information, contact our Forest Coal Chemical sales office or write directly to United States Steel Corporation, 525 William Penn Place, Pittsburgh 30, Pa.

Close-up of one of the 38-year-old poles at the ground line, showing the excellent condition of the treated wood. ▶



▲ Pressure-creosoted poles in the Jenkins-Royce City line of Texas Power & Light Company. 475 poles were installed in 1916—75% of the original poles are still in service.

## U·S·S CREOSOTE



UNITED STATES STEEL

ara but also the St. Lawrence hydro-electric development. His presentation appears as the opening article in this issue.

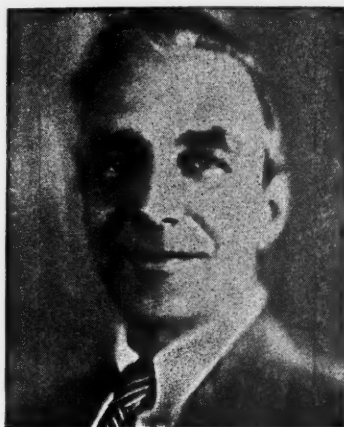
SENATOR CAPEHART, author of this article, was born in Algiers, Indiana, in 1897 and was just finishing high school when the United States became involved in World War I. He joined up as a private in the Army and served two years. He started in business as an equipment salesman, working his way up to the presidency of the Capehart Corporation, a Fort Worth manufacturer of musical reproduction instruments, the name of which has become well known throughout the country. He was elected to the United States Senate on the Republican ticket from Indiana in 1944 and re-elected in 1950. He has always been active in fraternal, civic, and charitable organizations.

\* \* \* \*

GEORGE SOKOLSKY, the syndicated newspaper columnist, recently pointed out that the modern curse of the American city—the traffic jam—is at least one problem which cannot be laid at the door of the federal government. It is essentially a local responsibility. And because local authorities have not, or for various reasons cannot do something about it by way of adequate solution, our city streets are becoming more and more congested and filthy parking spaces for private automobiles. The hazards of fire and other emergencies are multiplied. The fate of the pedestrian becomes more uncertain.

It is a matter for municipal management, which must be reinforced by local public opinion. Yet in many cities not only selfish and lazy-minded automobile owners, but local shopkeepers oppose any real improvement, saying restrictions lose every time in any poll of public opinion. Trouble is, this is a problem that is not going to be solved by a poll of public opinion. It is a problem which grows worse every day and cries out for resolute decision.

IN this issue GEORGE W. KEITH, professional writer of Cincinnati, Ohio, has made another kind of opinion survey. He went to local authorities with the blunt



JAMES H. COLLINS

question: "Is subsidized parking the answer to the traffic crisis?" The replies form the basis of his interesting article, beginning on page 533.

\* \* \* \*

ELECTRICITY as metered is poor merchandise. What you have to sell is something for using it—appliances. To do that, you have to go away back where people are dreaming of homes, as they do in Los Angeles. JAMES H. COLLINS, California writer of business articles, has been checking up on an interesting pattern developed by the home lighting committee of the Pacific Coast Electrical Association. What is average usage of electricity in the modern day and age in up-to-date new homes, with due regard for other residential living features? It would appear from this analysis, beginning on page 542, that the model house has everything.

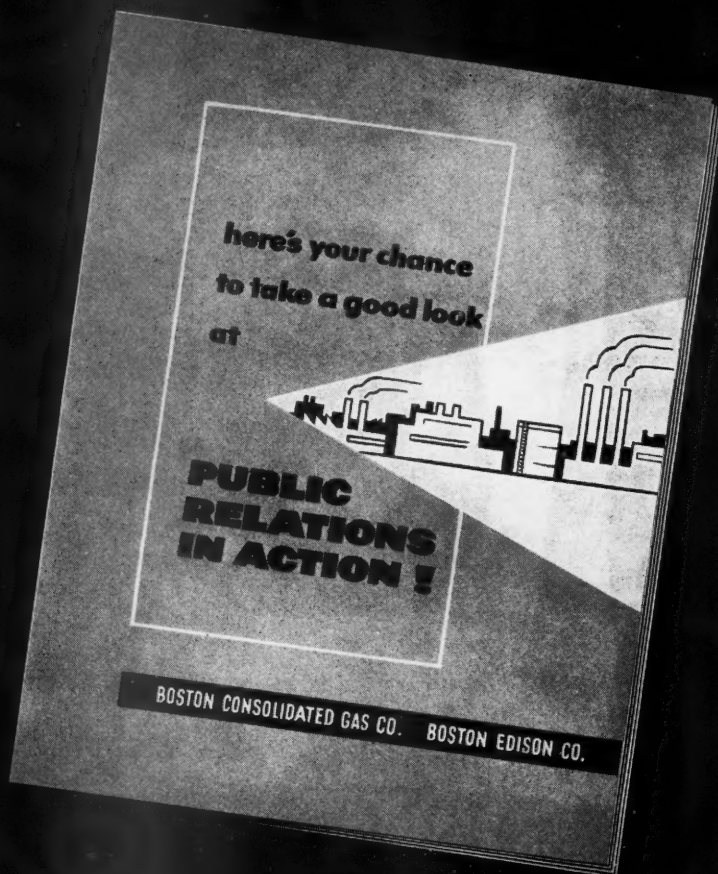
\* \* \* \*

AMONG the important decisions pre-printed from *Public Utilities Reports* in the back of this number, may be found the following:

THE West Virginia commission believes that heavy base loads of gas consumed by industrial customers should be provided for in lower block rates rather than separate schedules. (See page 97.)

THE next number of this magazine will be out May 13th.

*The Editors*



*get your Free copy of*  
**"PUBLIC RELATIONS IN ACTION"**

We'd like you to have a free copy of the new twelve page booklet you see above. It contains some mighty interesting information for utility people.

You'll see how several New England public utilities use modern record keeping methods, and equipment, to assure themselves not only first class public relations

but peak operating efficiency, too. This booklet deals with almost every public relations function facing today's modern public utility. Just write Remington Rand, Room 1428, 315 Fourth Avenue, New York 10, New York, and ask for your copy of X1498. There's no obligation, of course, and we think you'll find an idea or two here.

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# Coming IN THE NEXT ISSUE



## **PUBLIC UTILITY FINANCING POSTWAR**

A quarter of a century ago utility financing reached what many believed to be a peak which was unlikely to be surpassed. In 1927, the electric industry alone financed over \$2 billion, a little less than half of which was for refunding. But since the end of World War II, new capital financing has steadily pushed past the billion mark for these utilities. And in 1953 the electric utility division established a new peak of \$2.4 billion. Other utility industries, especially the lusty newcomer, natural gas pipelines, have made proportionately giant postwar strides in financing. Owen Ely, financial editor of PUBLIC UTILITIES FORTNIGHTLY, has written a provocative analysis of these postwar trends, complete with graphic charts and tables.

## **CALIFORNIA UTILITY REGULATION, YESTERDAY, TODAY, AND TOMORROW**

It is a well-known fact that regulatory commissions have become conscious of the importance of public relations, especially since the postwar era of rate case activity. The California commission has set a brisk pace in its progressive evolution from placid railroad commission of yesterday to a dynamic controlling agency with full jurisdiction over all major utilities in the Golden state. Frank C. Sullivan, San Francisco consultant and former press officer of the California board, has chronicled this development and given us some conclusions on the outlook of commission regulation generally.

## **I AM A SUPERINTENDENT OF A STEAM POWER PLANT**

We continue to get expressions of favorable reaction to the human interest articles by Henry F. Unger, Phoenix, Arizona, professional writer, who has been doing a series of "first person" interviews on key personnel individuals in various utility callings. This time Mr. Unger has interviewed an anonymous superintendent of an electric plant. How did he get his job? How does he like it? What does he do on the job and off, and what does he think he will do ten years or more from now? These and other questions are answered in this entertaining account of what makes a plant superintendent tick.



**Also . . . Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.**









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# Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE

WILLIAM RANDOLPH HEARST  
*Late publisher.*

"If the American two-party system is destroyed there might be a one-party despotism to rise in protest."

WILLIAM E. JENNER  
*U. S. Senator from Indiana.*

"The one result the Welfare state never achieves is welfare. It gives people more dollars to handle by making each dollar worth less and less. Dismantling the Welfare state is the essential step to true welfare for the people, as it is the essential step in preserving our liberty."

ROBERT L. MINCKLER  
*President, General Petroleum Corporation.*

"The weight of oil and gas produced in a year in the United States is five times the weight of all of the metals produced. It is four times the weight of all of the human food produced. Consumption of oil in the United States averages more than 2½ tons per year for each man, woman, and child in our population."

W. C. MULLENDORE  
*President, Southern California Edison Company.*

"We cannot spend ourselves into prosperity. We can spend ourselves into bankruptcy. We can undermine our moral strength by continuing to destroy independence and initiative and by cultivating more and more reliance upon aid from a government which supplies that aid by confiscating and liquidating the wealth of its citizens."

*Excerpt from New England Letter,  
published by The First National  
Bank of Boston.*

"The quest for security is the fundamental urge of the times. Essentially it is an attempt to escape from reality. It finds reflection in the 'cradle to the grave' security plans, in deficit financing theories, and in the vast array of Utopian schemes that are designed to provide shelter from the hazards of life. The same craving found reflection in Fascism and Nazism, with most tragic consequences."

WILLIAM J. JAMESON  
*President, American Bar Association.*

"We must recognize and protect the constitutional rights of all, including Communists, but at the same time we must not be blinded to the fact that if the communist philosophy should prevail, these constitutional rights would be forever lost. We must be zealous in the protection of individual rights, but at the same time equally zealous in safeguarding our national security and our American form of government."

WALTER H. SAMMIS  
*President, Edison Electric Institute.*

"If the government with the tax moneys of the citizens is going to compete with them in business, government proprietary business should be operated on an equal basis with private proprietary business, charging to government business the true costs of doing business. Government should not base its business prices on subsidized costs at the expense of the customers of private business and the general taxpayer."

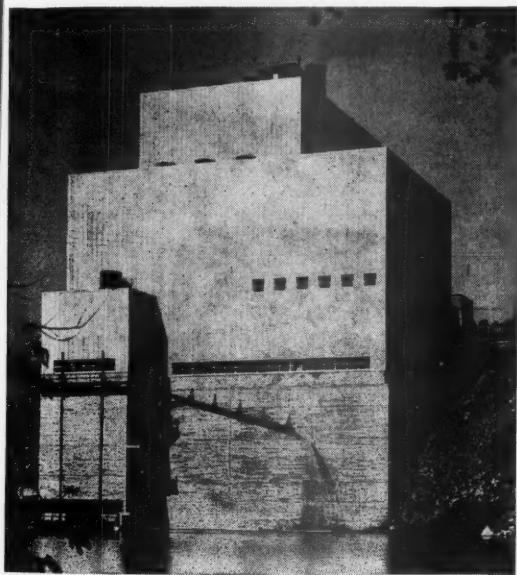




**PERFECT FOR POWERHOUSES**

# Q-PANELS

Northern Virginia Power Co., Riverton, Va.  
Designed and built by Sanderson & Porter, Inc. Chapman, Evans  
& Delahanty, Associate Architects.



Every feature of a Q-Panel is a desirable feature for powerhouse construction . . . which explains why Q-Panels have captured the powerhouse market.

Q-Panels go up fast—50 sq. ft. in 9 minutes. A small crew quickly attaches the panel to the steel framework. Little blocks don't pile up fast. *It's much quicker to bang a wall than to pile it up.*

Q-Panels provide a maintenance-free exterior; they are available in a variety of materials for exterior finishes, depending on their availability at time of ordering.

A Q-Panel is an insulated metal sandwich, only 3" thick but with insulation value greater than a 12" masonry wall.

The striking fluted surface of Q-Panels is now a familiar sight on powerhouses from coast to coast.

**Write for Q-Panel Catalog**

## H. H. ROBERTSON CO.

Factories in Ambridge, Pa.; Hamilton, Ontario; Ellesmereport, England.

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Pittsburgh 22, Pennsylvania



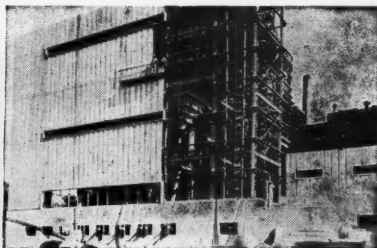
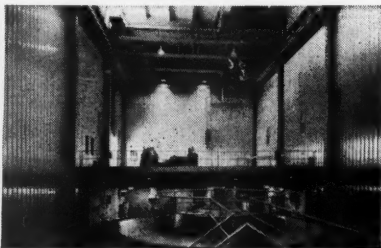
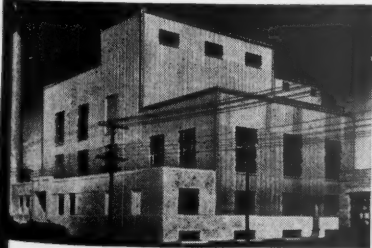
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in the U. S. A. and Canada

World-Wide Building Service

Iowa Public Service Co., Eagle Grove, Iowa  
Designed and built by Iowa Public Service  
Engineers and J. F. Pritchard & Co.

Tennessee Valley Authority Watauga Project  
Elizabethton, Tenn.

Note clean, quick, dry, safe,  
curtain-wall construction.



## REMARKABLE REMARKS—(Continued)

BENJAMIN F. FAIRLESS  
*Chairman of the board, United  
States Steel Corporation.*

"I view with some alarm the rapid disappearance of one of America's most precious natural resources—our native supply of plain, old-fashioned common sense. What has happened to it, recently?"

M. S. RUKEYSER  
*Columnist.*

"I think that the people are entitled to a sensible, mature, and scientific approach to the interpretation of economic statistics. I believe that some of the corrections since last fall, including the decline in excessive inventories, the cessation of the increase in the already large consumer debt, and the leveling off of commercial loans are healthy, and are creating a foundation for renewed economic progress."

*Excerpt from National City  
Monthly Letter on Business  
and Economic Conditions,  
published by the National  
City Bank of New York.*

"In many other postwar years there have been foreseeable gaps in demand and fears of a spiraling decline. But the gaps have been filled, and the threatened spiral has been averted or arrested. Postwar forecasting has, in fact, been an extraordinary chronicle of unwarranted pessimism. This does not mean that sheer optimism and complacency can make 1954 a year of further growth. On the contrary, it promises to be a year of adjustment, stiff competition, and moderate recession as compared with 1953."

ROBERT H. JACKSON  
*Associate Justice, U. S.  
Supreme Court.*

"Communism, most powerful of the present reactionary groups, depends upon military forces only as an auxiliary to its chief reliance, which is the deterioration of free institutions, the indifference of the masses, and revolt by well-organized and disciplined minority. It can never succeed among our people so long as they understand and appreciate the meaning, vitality, and enduring character of the American tradition and what is involved in preserving it in all its integrity. No one can do more than the organized bar to bring these truths home to our people by precept and example."

DWIGHT D. EISENHOWER  
*President of the United States.*

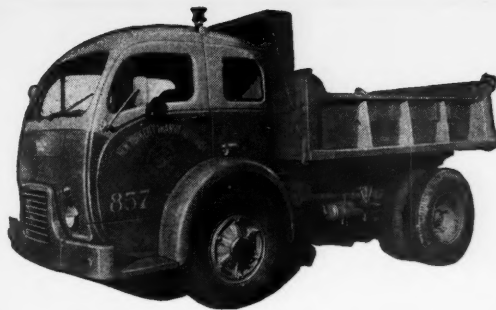
"Traditionally, our government has sought to create and maintain a democracy of opportunity in which individuals have the general freedom and the specific opportunities to work, to spend, to save, and to invest, and the incentive to pursue these opportunities to the fullest extent. This concept of the rôle of government has not been made obsolete by the events of the last few decades. Two world wars and a world-wide depression brought a continued broadening of the scope of governmental activities, but this fact does not justify the oft-made assumption that the range of federal activities must continue to grow."

GEORGE E. SOKOLSKY  
*Columnist.*

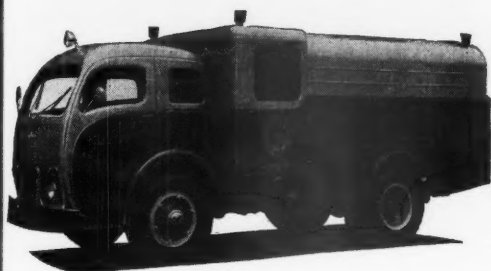
"The federal government, for example, can do nothing about the streets of our cities. As a result of automobile parking, the streets in many cities are becoming filthy because they cannot be cleaned, fire hazards are increased, ambulances cannot approach the curb, pedestrians are imperiled. The federal government can do nothing about that. It is a matter of municipal management, often a response to local public opinion. In many cities, the local shopkeepers oppose any real improvement because it would keep the out-of-town trade away from the city shopping centers. But questions of this sort are always subject to local public opinion."

It takes all kinds of bodies, but ...  
**THERE'S NOTHING LIKE THE  
 WHITE 3000!**

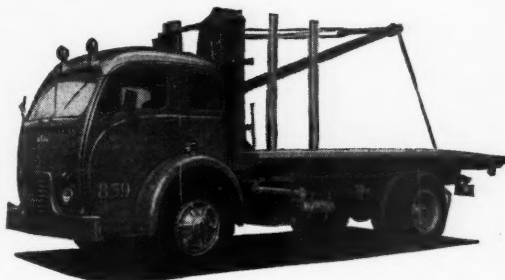
Here are only a few of the many different jobs the White 3000 is doing for the New York City Transit Authority ... who want maximum maneuverability and space-savings for Manhattan's traffic-congested streets. They call on the White 3000—tomorrow's truck today!



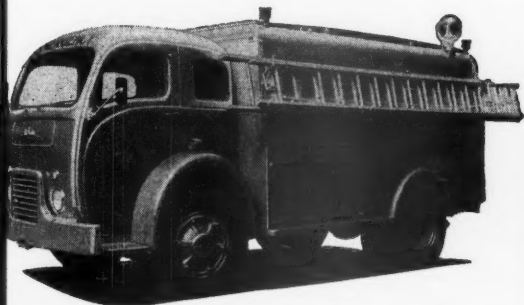
**DUMP TRUCK** work handled by this White 3020 requires best maneuverability in congested areas, among elevated pillars, in garages. Used for coal, asphalt, sand, gravel and debris.



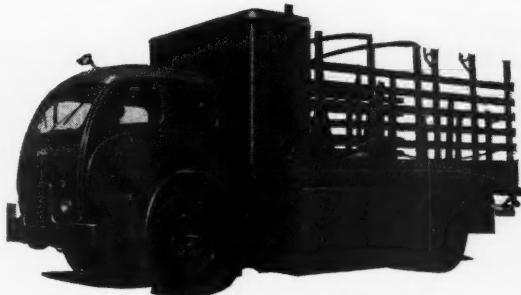
**POWER DEPARTMENT** handles crew and equipment with real savings in overall length with this White 3000 with extra crew compartment.



**TRACK-LAYING UNIT**—Less traffic and passenger service tie-up with this White 3000 used for track-laying on surface lines.



**UTILITY WORK** gets done faster by White 3000. Its modern design saves time in traffic and its compact styling saves garaging space and room on the streets.



**CABLE REEL TRUCK**—Plenty of body capacity and room for crew without going to longer overall length. Saves traffic time for power department.

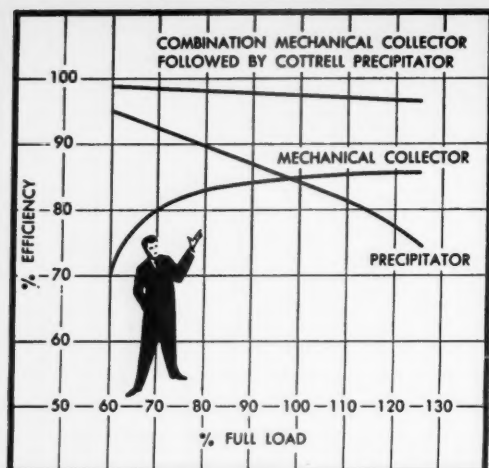
*Tips its cab to service*



**THE WHITE MOTOR COMPANY**

Cleveland 1, Ohio

*For more than 50 years  
 the greatest name in trucks*



# Advantages of the Western Precipitation

## CMP Unit

*for recovering solids from stack gases in public utility operations*

The control and recovery of fly ash from stack gases has always been a troublesome problem in public utility operations. With the development of the CMP unit by Western Precipitation Corporation, new economy and efficiency in the solution of fly ash problems are now possible.

Almost a half century ago Western Precipitation pioneered the first commercial application of the now-famous Cottrell Electrical Precipitator to recover suspensions *electrically*, and this equipment is still unsurpassed in its field.

Subsequently, to provide efficient fly ash recovery for low cost installations, Western Precipitation also pioneered the first small tube *mechanical* recovery unit — the Multiclone Collector — and this unit promptly gained widespread recognition for the new efficiencies it brought to mechanical recovery processes.

**Combination Multiclone-Precipitator Unit.** From these years of experience gained in both Cottrell and Multiclone installations, Western Precipitation recently offered another new development — the CMP Unit — a unit that combines in one compact installation many of the best features of both electrical and mechanical recovery methods.

In a typical CMP Unit, the stack gases first pass through a Multiclone section where the heavier materials are removed *mechanically*.

The partially-cleaned gases then pass through a Cottrell section where the very small particles are removed *electrically*.

This arrangement offers several advantages important to public utilities. Removing the heavier particles by the Multiclone process permits the bulk of the recovery operation to be performed

with relatively low-cost equipment. Using a Cottrell for the final clean-up insures unusually high recovery efficiency — approaching theoretically perfect, if desired. Thus, the CMP combines high recovery efficiency with low total cost . . . and, shown in the chart above, has the further advantage that the efficiency curve of the Multiclone portion complements that of the Cottrell portion — *therefore the overall CMP efficiency remains practically uniform at all boiler loads.*

At low boiler loads the recovery efficiency of the Cottrell is highest, while that of the Multiclone reaches its maximum at high boiler loads. But, by combining the two types of equipment into a single CMP unit, the efficiency curve remains almost flat whether the boiler load is low or high.

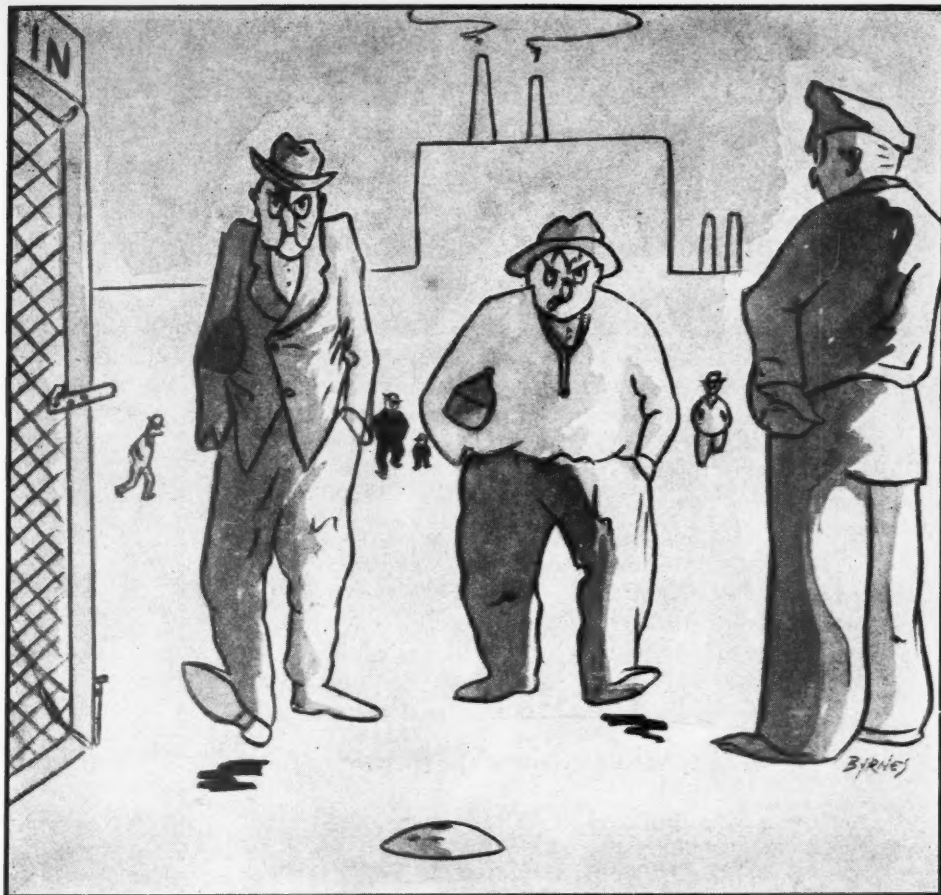
With CMP equipment, even small utility companies can now afford adequate fly ash recovery. However, it is important to remember that full benefit of the CMP principle can be obtained only by a proper balance between the mechanical and electrical sections to fit the individual requirements of *each individual* installation. And no organization is better equipped to provide this critical "know-how" than the organization that provides integrated responsibility for Cottrell, Multiclone and CMP methods . . . the Western Precipitation Corporation.

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BEST cartoon, we think, of a series that ran a few years ago, was this "Do you greet each new day as a challenge...?" Many, many people chuckled over it, for widely different reasons. The draftsmanship was so good that reproduced these years later it looks worse; but men young and old saw themselves, their friends or

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The Grand Strategy of the Rate Case  
Selection and Function of the Attorney  
The Mechanics of Rate Case Preparation  
Proof of the Rate Base

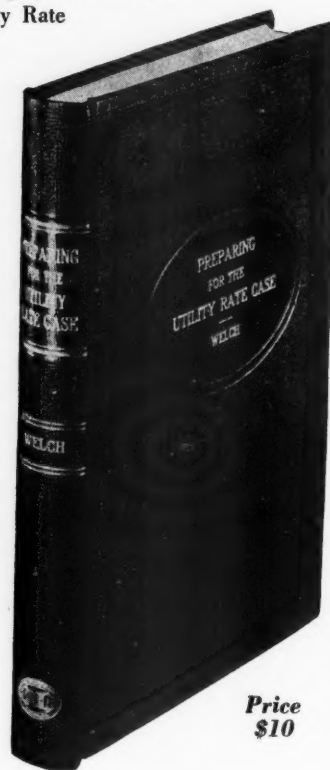
The Completed Rate Base—Overheads, Land,  
Depreciation, Working Capital

Completing the Rate Base;  
Working Capital  
Operating Expenses  
Operating Expenses, Continued—  
Annual Depreciation  
The Rate of Return  
Rate Adjustments—Allocations

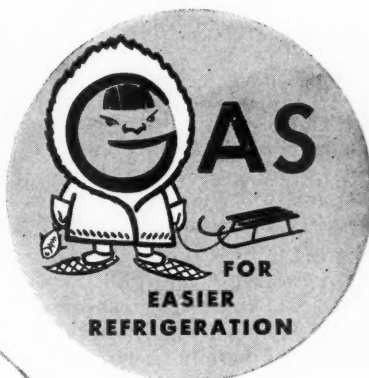
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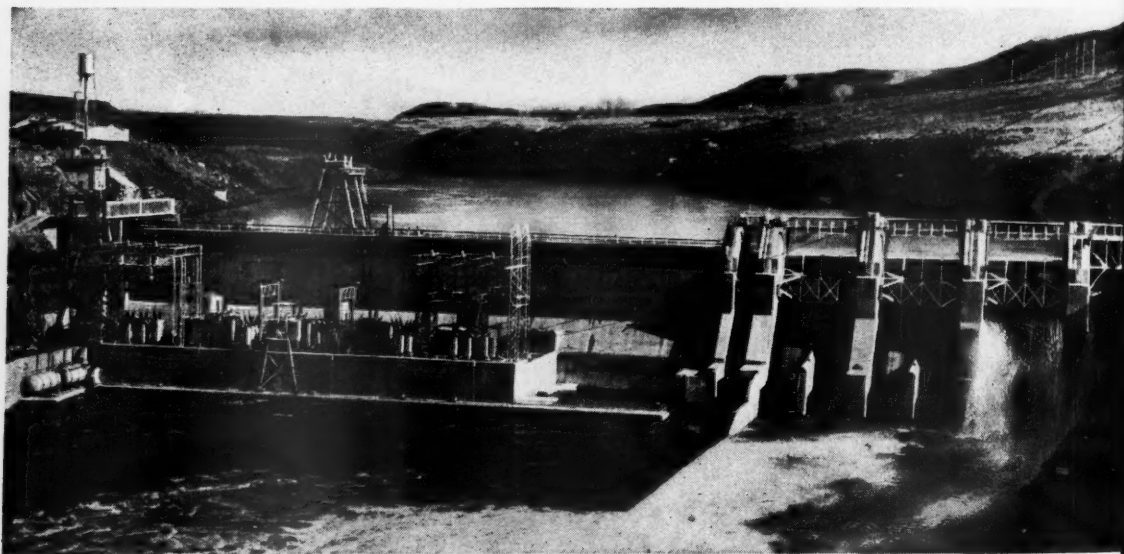
Measured in kilowatts, the output of these plants is impressive. Measured in human benefits, their value is even more apparent—new power for homes, for industrial plants, for business, for farms. These projects have meant new farms too, for they have helped add 145,000 acres of irrigated land to the fertile Snake River Valley in Southern Idaho and Eastern Oregon.

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APRIL 29, 1954—PUBLIC UTILITIES FORTNIGHTLY

# REPRINTS

*of Feature Articles in*

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*by Holgar J. Johnson, September 10, 1953*

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*by Frank D. Chutter, October 8, 1953*

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*by Harold H. Young, October 22, 1953*

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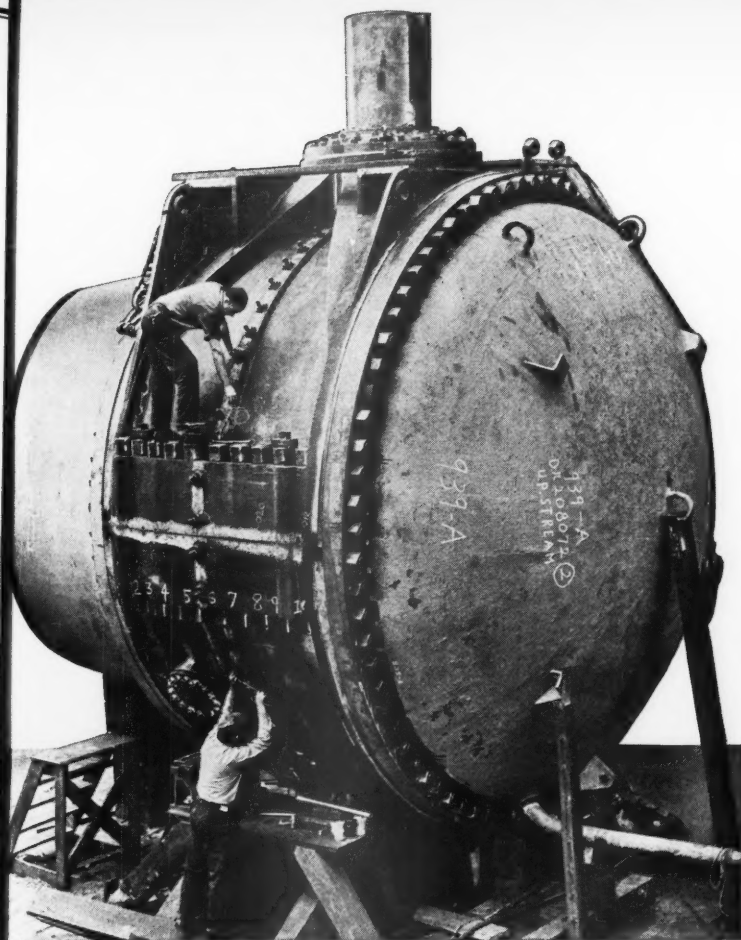
**Seventy-five Years of Electric Light**  
*by H. S. Bennion, January 7, 1954*

**The Present Price Level is Here to Stay**  
*by Paul W. McCracken, January 21, 1954*

**A New Look at Federal Power Policy**  
*by Clarence A. Davis, February 4, 1954*

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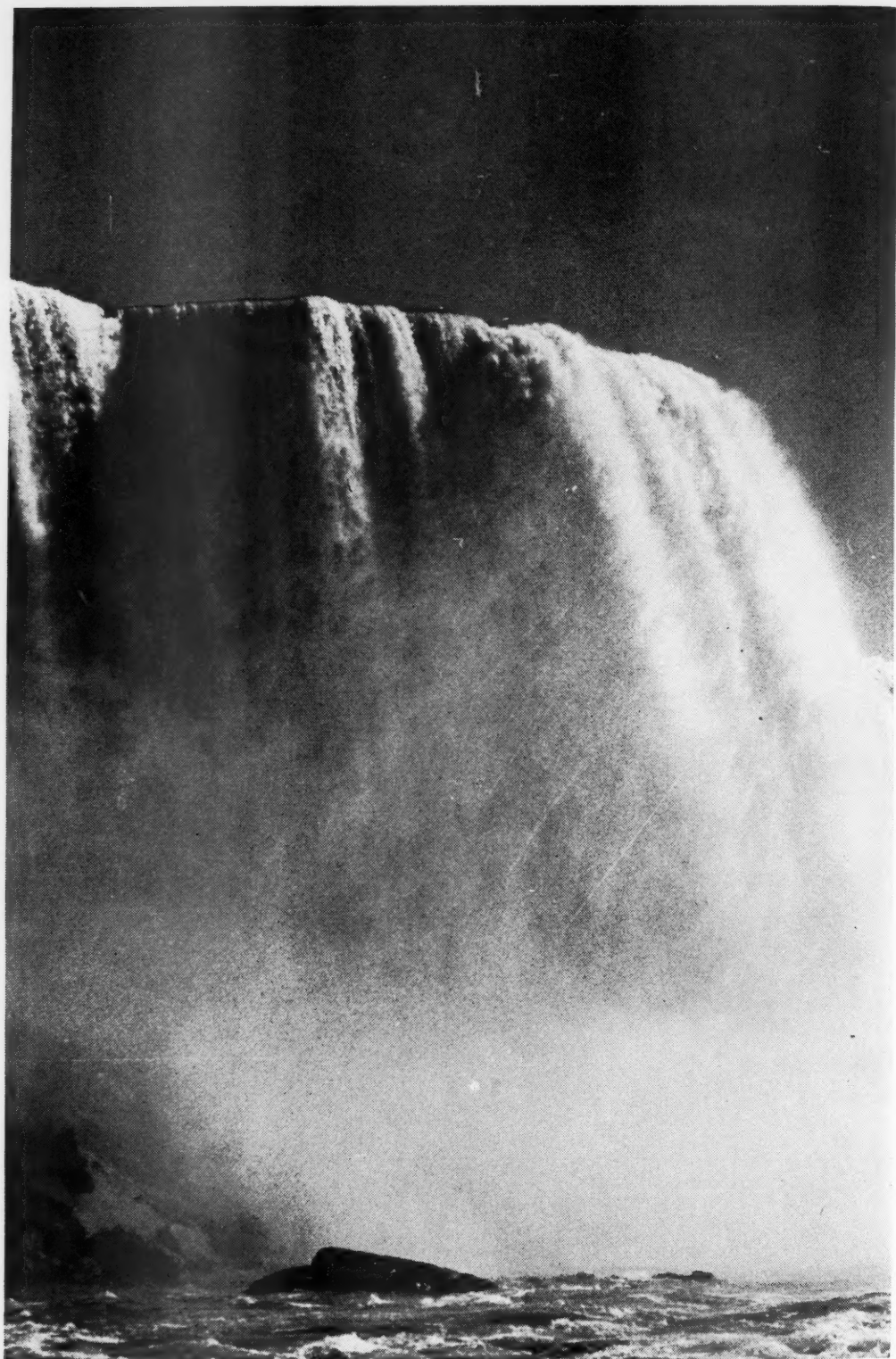


# UTILITIES

## *A.l.m.a.n.a.c.k*

### APRIL-MAY

<b>Thursday—29</b> <i>National Association of Electric Companies begins annual meeting, Washington, D. C.</i>	<b>Friday—30</b> <i>Illuminating Engineering Society ends 3-day Canadian regional meeting, Toronto, Ontario, Canada.</i>	<b>MAY</b> <b>Saturday—1</b> <i>Pacific Coast Electrical Association will hold annual convention, Coronado, Cal. May 19-21. Advance notice.</i>	<b>Sunday—2</b> <i>American Water Works Association will hold annual conference, Seattle, Wash. May 23-28. Advance notice.</i> 
<b>Monday—3</b> <i>Edison Electric Institute, Engineering Committees, begins meeting, Chicago, Ill.</i>	<b>Tuesday—4</b> <i>New England Gas Association, Operating Division, begins meeting, Providence, R. I.</i>	<b>Wednesday—5</b> <i>New Jersey Gas Association begins home service conference, Newark, N. J.</i>	<b>Thursday—6</b> <i>Wisconsin State Telephone Association ends 2-day annual convention, Madison, Wis.</i>
<b>Friday—7</b> <i>Southeastern Electric Exchange, Engineering and Operation Section, ends 2-day spring meeting, Miami Beach, Fla.</i>	<b>Saturday—8</b> <i>Edison Electric Institute will hold annual convention, Atlantic City, N. J. June 1-4. Advance notice.</i>	<b>Sunday—9</b> <i>Liquefied Petroleum Gas Association begins annual convention, Chicago, Ill.</i> 	<b>Monday—10</b> <i>American Gas Association begins Commercial Gas School, Chicago, Ill.</i>
<b>Tuesday—11</b> <i>United States Independent Telephone Association ends 2-day national executives' conference, Colorado Springs, Colo.</i>	<b>Wednesday—12</b> <i>CIGRE — International Conference on Large Electric High-tension Systems begins, Paris, France.</i>	<b>Thursday—13</b> <i>Public Utilities Advertising Association begins annual meeting, Boston, Mass.</i>	<b>Friday—14</b> <i>Pennsylvania Electric Association, Transmission and Distribution Committee, begins meeting, Bedford, Pa.</i>



**One Million and a Half Gallons Per Second**

*The torrents pouring over Niagara Falls are drawn from a drainage basin of some 255,000 square miles in mid-continent America.*

# Public Utilities

*FORTNIGHTLY*

VOL. 53, No. 9



APRIL 29, 1954

## Niagara Should Be Developed Through Private Enterprise

In testimony last July before the Senate Public Works Committee, New York's Governor Dewey, among others, made several points in support of construction of the Niagara development by the state of New York and in opposition to construction by private enterprise as provided in the Capehart-Martin-Miller Bill. In this article Senator Capehart refutes the Dewey proposal.

BY THE HONORABLE HOMER E. CAPEHART\*  
U. S. SENATOR FROM INDIANA

**B**ECAUSE of preoccupation with my duties as chairman of the Senate Banking and Currency Committee, I have had to postpone until recently the task of replying to the arguments made by Governor Dewey supporting state control of the Niagara project. I will endeavor in this article to develop a point-by-point

discussion of Governor Dewey's position in this matter.

1. GOVERNOR Dewey contended that *New York state's political history requires the state government to construct and operate additional development at Niagara.*

The basis for this argument is to extend

\*For additional personal note, see "Pages with the Editors."

## PUBLIC UTILITIES FORTNIGHTLY

to the Niagara project the state's political history with respect to the St. Lawrence power project. In connection with this point, Governor Dewey relies heavily upon the asserted views of the former governors of New York, Theodore Roosevelt and Charles Evans Hughes. None of these contains any mention of the Niagara.

**T**HEODORE ROOSEVELT, as President, signed the Burton Act under which privately owned companies received federal licenses for *existing* developments at Niagara Falls.

His policy was clearly one of conservation whereby he urged:

- (1) the maximum development of both navigation and power;
- (2) the payment of a license fee to the government; and
- (3) a limitation upon the duration of the license.

In these connections the state of New York now receives a substantial water rental charge paid by the investor-owned company which constructed and operates the existing five plants at Niagara Falls; and private enterprise will pay to the state of New York a substantially greater rental charge if it is authorized to make the additional development. Theodore Roosevelt's other points with respect to the necessity for comprehensive development and a limitation upon the period of the license are incorporated in the Federal Power Act.

These provisions of the act, as well as all others, would apply to any license issued to private enterprise pursuant to the public policy which the Congress would express in the Capehart-Martin-Miller Bill.

**N**OTHING said by Governor Hughes, who served as governor from 1907 through 1910, could have possibly referred to hydroelectric power development at Niagara, for at this time the Niagara potential was fully developed by private enterprise in so far as it was then possible under existing federal law.

Indeed, it is most difficult to picture Governor Hughes as an opponent of private enterprise in the development of hydroelectric power. In 1907 he approved a law for private development of the St. Lawrence river. This law was repealed some six years later when the Democrats were in control of the state legislature.

Moreover, in his many messages and statements as governor, it cannot be disputed that all of his proposals were related to the construction of reservoirs for flood-control and river regulation of the several smaller streams within the state forest preserve. Governor Hughes proposed that the water power resulting from these reservoir projects be leased as water power or for conversion into electric power so that the state could receive annual rentals to defray the cost of the regulating works. There are existing river regulating districts operating in this manner today in the state of New York.

**A**SIDE from these historical facts, we are confronted by vastly different facts and circumstances today. Forty or fifty years ago privately owned utility companies were subject to no regulation, or inadequate regulation. Our government then had no staggering public debt, no unbalanced budget, no budget deficits, and even no federal income tax. These are all factors for vital consideration in relation to our modern economy.



## NIAGARA SHOULD BE DEVELOPED THROUGH PRIVATE ENTERPRISE

IT should also be emphasized that the fundamental question of policy before the Congress is not a so-called states' rights question which traditionally involves the rights of the states *vis-à-vis* the federal government. The public policy question before the Congress involves the extent to which we shall permit any government, federal or state, to invade the pure electric power field hitherto developed by private enterprise under our capitalistic free enterprise system. Even Governor Dewey conceded this to be the responsibility of the Congress of the United States.

Private enterprise has been developing the available hydroelectric power potential at Niagara Falls since 1895. Private enterprise now operates five power plants there and for many years has owned all of the lands and rights of way necessary for the proposed additional development which would utilize the additional water made available by the 1950 Treaty with Canada.

These private companies require no further action under state law to proceed with the project. The proposed development involves only the construction of an additional power plant and related facilities substantially alongside those already there.

The additional development utilizes the plans of the private companies which have

been on file with the Federal Power Commission over thirty years. The existing steam-generating capacity of the private companies will be required to firm up the output of the additional development. No dam, multipurpose or otherwise, or any other structure in the river, is involved.

There are no considerations whatever of navigation, flood control, irrigation, reclamation, or any other hitherto recognized function of government. The proposed project is a pure power project which private enterprise is ready, willing, and able to finance and construct with great expedition.

Private enterprise requires only federal acquiescence in its use of the water.

IN view of the above facts, sponsors of a state-owned development seek to justify their position: first, by extending to the Niagara project the state's political history with respect to the St. Lawrence power project, and then by asserting the superiority of the will of the incumbent state administration over that of a decision by the Congress.

There is no valid basis whatever for extending to the Niagara project the state's long political history, and its twenty years of controversy with the federal government, with respect to the multipurpose St. Lawrence project. The two projects, 250



**Q** "THERE is no constitutional authority for the federal government to go into the electric power business when it is not an incident of any function delegated to the United States, such as navigation, flood control, or reclamation, none of which are here involved. Every government project built to date has been a clear multiple-purpose project, with power generation a by-product of otherwise necessary dam construction."

## PUBLIC UTILITIES FORTNIGHTLY

miles apart and separated by the 9,000 square miles of Lake Ontario, bear no relationship whatever.

Construction of the St. Lawrence power project must include \$100,000,000 of navigation facilities. *Private enterprise has never sought to develop that project!* At the same time the state of New York did not and could not attempt to develop the Niagara, since the scope of the enabling legislation of the Power Authority of the State of New York, created in 1931 (Chap. 772, Laws of 1931, §§ 1,000-1,015), was expressly confined to the St. Lawrence river development. It has been conceded that for more than twenty years the Power Authority, functioning as a promotional agency, has been engaged in extended controversy with federal authorities and agencies as to whether the federal government or the state of New York should construct the power aspect of the multipurpose St. Lawrence project.

**A**T the New York State Constitutional Convention of 1938, a constitutional amendment was proposed declaring all of the water-power resources in the state to be vested in the people of the state, to be inalienable, and requiring that they be developed by a public agency. The proposal was debated at great length, during which the late Alfred E. Smith, at the conclusion of his argument in support thereof, stated:

I have fairly covered the situation and I have only this to say in conclusion: This is either the policy of the state or it is not. If it is the policy of the state, after all the bickering and quarreling that has been had over it for the last thirty-one years, then the right thing to do is to write it into the funda-

mental law, where it will be safe and sound and away from any further legislative bickering with it. If it is not the policy of the state then we do not want to have anything to say about it and it should not even be in the statute law, not to speak of being in the Constitution.

The proposal was decisively defeated by a substantial majority of delegates to the State Constitutional Convention who, of course, were elected by the people.

The state law continued without relevant change until 1951 when the Power Authority's enabling legislation was amended (Chap 146, Laws of 1951) in the following circumstances:

**O**N February 27, 1950, the United States and Canada signed the Niagara River Treaty, making possible additional hydroelectric development on the Niagara river. In May, 1950, Senator Lehman and Representative Roosevelt introduced a bill in the 81st Congress, second session, providing for federal construction of the Niagara project. In August, 1950, the Senate ratified the treaty with the express reservation that the Congress should decide how and by whom the additional power shall be developed.

Early in the 82nd Congress the Lehman-Roosevelt bills were again introduced. New York's Senator Lehman (Democrat-Liberal) and Representative Roosevelt (Democrat-Liberal) now also advocate state construction. They disagree with Governor Dewey, however (as well as with private enterprise), in that they urge the application to the development of the federal preference policy for public agencies.

Shortly after, in February, 1951, Gov-

## No Socialism for New York

*"... the record before the Congress clearly contradicts any assertion that the people of the state of New York desire to launch their government into the electric power business. While one or two CIO locals have supported federal development, it is not believed that the sponsors of state development can claim the support of a single civic, farm, or labor organization in the entire state of New York."*



ernor Dewey sent a special message to his legislature urging amendment of the Power Authority's enabling legislation so as to extend its provisions to the Niagara project. The following month the Capehart-Martin-Miller private enterprise bill was introduced and later that month the Power Authority Act was amended as requested by Governor Dewey. In his mes-

sage to the legislature requesting the amendment, Governor Dewey had stated that otherwise it would be "quite easy for the federal power monopolists to seize control."

He then made no mention whatever or objection to the readiness of private enterprise to undertake the development.<sup>1</sup>

<sup>1</sup>More recently, state legislators from the Niagara frontier district have publicly protested to Governor Dewey that:

The avowed purpose of that legislation and the federal legislation which would have authorized the Power Authority to make the development was, we always understood, to defeat a federal power development and not to exclude private enterprise, whose desire to make the further development when additional waters became available, had been a matter of public knowledge for many years.

Similarly, Congressman Cole (Republican, New York), who sponsored a bill for state development in the 82nd Congress, but now supports development by private enterprise, testified before the Senate and House Public Works committees on May 15, 1953:

The chairman of the New York State Power Authority at that time (1951) was a resident of my congressional district. He discussed the whole problem of Niagara power development with me,

pointing out the three avenues by which this might be accomplished—federal sponsorship, state sponsorship, or private sponsorship.

At that time the complexion of the Congress made it appear more or less likely that the federal approach might be recommended by this committee, and eventually adopted by the Congress, an approach to which I was strongly opposed. So, having those factors in mind, that the chairman of the State Authority was a resident of my district and made the request of me, and having some substantial fears that the Congress might adopt the federal approach, I sponsored the bill providing for the State Authority sponsorship in the belief that as between the federal development and the state development I strongly preferred the latter; although as between state development and private development I again prefer the latter, which is the private sponsorship.

Senator Ives (Republican, New York), who cosponsored the state bill in the 82nd Congress with Congressman Cole, also characterized it as "having served a useful purpose then, in that it helped to head off federal development."

**N**OTWITHSTANDING the express provisions of the 1931 enabling legislation creating the Power Authority of the State of New York, confining its functions to the St. Lawrence project, sponsors of a state development now assert that the St. Lawrence river watershed includes the Niagara river and, therefore, the law of New York has required state development of the St. Lawrence and Niagara ever since 1931.

Thus, John E. Burton, former chairman of the Power Authority, frequently quoting the provisions of the 1931 law, gratuitously inserts after the words "watershed of the St. Lawrence river" the parenthetical phrase "(which includes the Niagara river)." By doing so, however, Mr. Burton does violence to his previous testimony before the House Public Works Committee in the second session of the 81st Congress when he appeared in opposition to the Lehman-Roosevelt proposals for federal development.

**T**HE foregoing factual history of state legislation dispels any conclusion that the people of the state of New York have rejected the development of the Niagara project by private enterprise.

The files of the House and Senate Public Works committees are literally swamped with expressions of support for the private enterprise bill from every category of consumer and taxpayer—from the New York State Federation of Labor, utility workers' unions, both CIO and AFL, from farm groups and granges, from chambers of commerce, and from hundreds of business, civic, labor, farm, and other types of organization, all representative of the people of the state of New York.

**I**N short, the record before the Congress clearly contradicts any assertion that the people of the state of New York desire to launch their government into the electric power business. While one or two CIO locals have supported federal development, it is not believed that the sponsors of state development can claim the support of a single civic, farm, or labor organization in the entire state of New York.

If any further evidence of the desire of the people of the state is necessary, reference need only be had to the action of the House on July 9th when it passed the private enterprise bill by a vote of 262 to 120. *Twenty-six* of the *twenty-seven* Republican members of the New York congressional delegation voted for the private enterprise bill. Of the forty-one voting members from the New York delegation who were present, *thirty-two* voted for the private enterprise bill.

Moreover, of the nine members of the New York delegation who voted against the private enterprise bill, several would not support the state bill. Indeed, upon a motion to substitute the state bill for the private enterprise bill, as already pointed out, only seventeen members of the entire House voted for it. Further, existing hydroelectric development on the Niagara river is only half the story of hydroelectric development in New York state.

Over the last fifty years, when there is supposed to have existed a policy requiring the state to go into the hydroelectric power business, private enterprise constructed throughout upstate New York a total hydroelectric capacity of approximately 1,000,000 kilowatts, equal to the entire dependable capacity of this new Niagara project, with the approval of



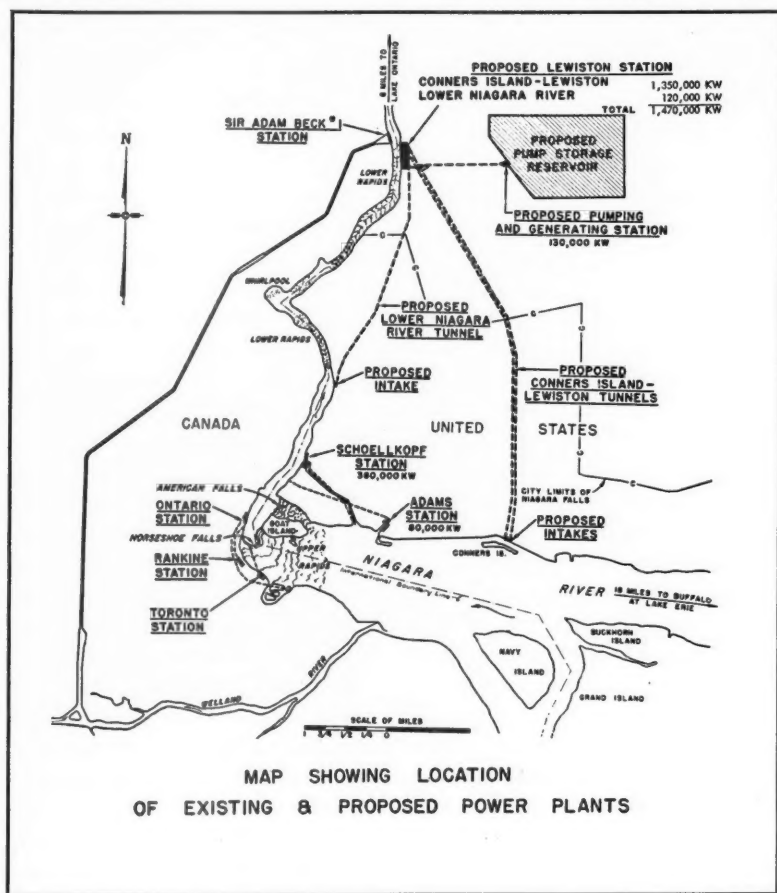
## NIAGARA SHOULD BE DEVELOPED THROUGH PRIVATE ENTERPRISE

state and local regulatory and other authorities and under license from the Federal Power Commission whenever and wherever required.

**P**PRIVATE enterprise has invested private capital to develop the power potential of some 25 or 30 rivers and streams in the state of New York. Thousands upon thousands of individual investors residing in every one of the 48 states have invested the funds required to construct almost 100 hydroelectric power plants on these rivers and streams.

Only last year an additional new hydro plant was completed and placed in service, under license from the Federal Power Commission. At the present time there are under actual construction, under license from the Federal Power Commission, five additional plants in northern New York, having an aggregate capacity of 100,000 kilowatts.

The foregoing facts demonstrate that displacement of private enterprise by the state is entirely *unjustified* in the state of New York. In view of the claims of sponsors of the state plan, it should also be



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emphasized that the will of the Congress, and not that of the state administration, is controlling at Niagara.

It is well established that navigable waters of the United States are subject to national planning and control in the broad regulation of commerce vested in the federal government, and there is no doubt that the United States possesses the power to control the utilization of navigable waters, whether by a state or by private enterprise. *United States v. Appalachian Electric Power Co.* (1940) 311 US 377, 36 PUR NS 129.

It is also clearly established that the exercise of federal power in this and other aspects of commerce will not tolerate a dual system of control; and federal commissions and courts are not restricted by state laws which have been superseded by federal statutes. *First Iowa Hydro-Electric Co-operative v. Federal Power Commission*, (1946) 326 US 715, 63 PUR NS 193.

It would render federal law subservient to state law to hold that the state can effectively legislate unto itself the exclusive right to a license. Moreover, there would follow the impossible result that the states and not the federal government would be in a position to decide in each instance the question of whether navigable rivers should be publicly or privately developed; and the federal government, in the case of the Niagara river, would be placed in the position of authorizing public redevelopment or none at all.

2. GOVERNOR Dewey also made the point that the Niagara and St. Lawrence hydroelectric projects are "Siamese twins," and since the state of New York is to have one, it should have the other.

Of all the witnesses testifying in the exhaustive hearings on this legislation, Governor Dewey has been the only one undertaking to assert the existence of a relationship between the multiple-purpose St. Lawrence project and the Niagara project.

Up to the point of his testimony, there never has been any dispute over the proposition that the two projects are entirely unrelated from either a physical, an engineering, or an operating point of view. The power plants of the two projects will be some 250 miles apart. Between them lie the 9,000 square miles of Lake Ontario. The use of the water in the one development can have no possible effect whatever upon the availability of or use of water in the other.

THE Niagara project will divert water at a point on the Niagara river above the falls and return it undiminished to the Niagara river, a short distance below, long before the Niagara river enters Lake Ontario. If Governor Dewey can claim relationship between the St. Lawrence and the Niagara projects, then he can claim relationship between the St. Lawrence and the 1,000,000 kilowatts of hydroelectric capacity already existing in the state under the ownership and operation of private enterprise.

It should be borne in mind that the Niagara project is not a new project. There are already five plants at Niagara operated by private enterprise. For many years private enterprise has owned all the land and rights of way necessary for the proposed project, which involves the construction of a sixth plant substantially alongside the five already there.

It is absurd logic which would claim a

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relationship between the St. Lawrence and Niagara projects and deny a relationship between the Niagara project and the five existing Niagara hydroelectric plants operated by private enterprise.

Moreover, it must be remembered that the *existing* steam-generating facilities of private enterprise must be relied upon to firm up the project output; and Governor Dewey proposes to utilize the transmission facilities of private enterprise to bring project power to load centers.

There is no basis whatever for Governor Dewey's asserted relationship between the St. Lawrence and Niagara projects. On the other hand, there is a clear relationship, geographical, physical, and operational, between the proposed project and the existing facilities of private enterprise.

3. *ANOTHER point made by Governor Dewey was to the effect that under the private enterprise bill, Niagara power would be confined to the consumers of the five companies and denied to the consumers of the other states.*

In advancing this contention, Governor Dewey ignores completely the express provisions of §4 of the Capehart-Martin-Miller Bill which require apportionment of project power among states within economic transmission distance, subject to the jurisdiction of the Federal Power Commission.

Moreover, the investor-owned utilities in New York state are the only agencies owning and operating the physical facilities making apportionment possible.

Their facilities are interconnected at New York state lines with the distributing companies in New England, Pennsylvania, and New Jersey, and they inter-

change power today with the distributing companies in those states.

For these reasons, under the private enterprise bill the neighboring states are afforded realistic, as well as legal, assurance of their ability to share equitably in the output of the project.

At page 68 of the record of joint hearings, the spokesman for the five companies testified:

I want to make clear, too, that the participating companies are willing, pursuant to the provisions of the proposed legislation, to enter into equitable arrangements for the apportionment of the project power among states within economic transmission distance. We believe such apportionment should be made subject to the jurisdiction of the Federal Power Commission as provided in the proposed legislation. Of course, our existing interconnections already afford the basis for working out such arrangements as may be deemed desirable and feasible.

4. *STILL another point made by Governor Dewey was the contention that if the Capehart-Martin-Miller Bill is enacted, a future federal administration would take the project away from private enterprise.*

Although private enterprise has operated its existing plants at Niagara over a period of almost sixty years without seizure by the federal government, Governor Dewey predicts with certainty that the federal government would take the sixth plant away from private enterprise immediately following its construction. The governor has told this committee that we would then have a "really big socialist enterprise."

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Governor Dewey's prediction is supported neither by the experience of private enterprise at this very power site nor by any other facts. He also ignores serious legal considerations.

**T**HERE is no constitutional authority for the federal government to go into the electric power business when it is not an incident of any function delegated to the United States, such as navigation, flood control, or reclamation, none of which are here involved.

Every government project built to date has been a clear multiple-purpose project, with power generation a by-product of otherwise necessary dam construction. When the TVA legislation was before the Supreme Court, the government was represented by Solicitor General Stanley Reed, now Mr. Justice Reed, who said in his argument:

If we determine that this act, while stating that it is for navigation, national defense, or flood control, is actually for the purpose of developing power and selling it commercially, the use would be invalid.

In its opinion, the Supreme Court stated as follows:

And the government rightly conceded at the bar, in substance, that it was without constitutional authority to acquire or dispose of such energy except as it comes into being in the operation of works constructed in the exercise of some power delegated to the

United States. *Ashwander v. TVA*, 297 US 466, 480.

**M**OREOVER, the Federal Power Act, which would apply to any license issued pursuant to the Capehart-Martin-Miller Bill, makes express provision for the acquisition of licensed projects by the federal government. Section 14 gives the United States the right to take over a licensed project at the expiration of the 50-year license period. Section 16 affords the United States the right to temporary possession and control of licensed projects for military purposes when, in the opinion of the President, the safety of the United States requires it.

Of course, any exercise of the federal government's condemnation powers must also be for a constitutionally delegated purpose, which the generation and sale of electric power are not.

In so far as Governor Dewey is concerned with the protection of private enterprise, it should be emphasized that the dangers are far greater in the event of state development. While Governor Dewey maintains that the state would not build duplicating transmission lines, the Power Authority Law of the state authorizes their construction subject, in effect, only to the desires of the incumbent state administration.

Therefore, the exposure of private enterprise to the risk of destructive competition from a state development would not only be more serious but much more realistic than Governor Dewey's baseless prediction of federal seizure.





## Traffic Crisis—Is Subsidized Parking the Answer?

*City after city is compiling or studying master plans projecting their traffic problems as far in the future as a quarter of a century. This article is based on a survey of enlightened opinion, turning on an inquiry as to whether subsidized parking could be an answer to the traffic crisis.*

By GEORGE W. KEITH\*

**"P**ARKING probably has more bona fide experts and committees at work than any other single problem of the machine age," says Henry K. Evans, U. S. Chamber of Commerce highway transportation specialist. "And, the more it is worked upon the worse it seems to get."

Possibly some statistics will tell why. In just one city, for example, Cincinnati, by 1970 its master plan (of 1948) called for 217,600 passenger car registrations; by 1952 it had reached 242,700.

\*Professional writer, resident in Cincinnati, Ohio. For additional personal note, see "Pages with the Editors."

For the nation there were about 43,000,000, at an estimated increase of 1,400,000 cars annually in the past twelve years. Evans opines they will be doubled in thirty years, adding, "The thought of these millions of automobiles driving around in search of a spot to light, makes downtown businessmen's toes curl."

To prevent epidemic pedal permanent waves, should not these businessmen be asking, "What are all these machines doing downtown?" instead of demanding that the city take over because the parking industry is not delivering the goods, and is responsible for the threatened de-

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struction of the downtown area and ruination of tax values.

In effect, the parkers reply, "If the area disintegrates it is your own fault, not ours. If tax values depreciate downtown they will appreciate elsewhere, with no loss of revenue to the city, generally."

With conditions eighteen years and 25,000 cars ahead of anticipations, certainly the city can no more keep up with the rat race than can the parkers. They are, and will continue to meet reasonable demands on their services.

**PUBLIC UTILITIES FORTNIGHTLY** asked this writer to look into this parking situation which has the public eye and ear and voice, to the utter bewilderment of the innocent bystander caught in the cross fire.

An emphatic "No!" greeted my query to John A. Lloyd, "Is subsidized parking the answer?"

"I believe the parking industry can solve the problem," he replied.

"Whenever business does the job adequately there is no need for government entering the picture," he told the national parking industry's convention.

"If a movement arises in your community for municipal parking lots, fight it. Fight it by mobilizing the business community; rally your fellow businessmen to your assistance. And, even more important, fight it by filling the need which it seeks to meet, yourselves!"

President of the Cincinnati Chamber of Commerce, vice president of the giant Union Central Life Insurance Company, which maintains a parking garage for its employees and the tenants of the company skyscraper, Lloyd can qualify as an "expert."

As newspaper publisher, state senator, Ohio superintendent of insurance, and six years as secretary of that state's insurance agents' association, he believes that practically every kind of organization needs policing, but, in the American tradition, each should honestly police itself.

"There hangs over the entire problem," he told me, "the continuing socialistic threat of municipal operation of parking . . . and this complicates the situation. Private investors, who must necessarily exercise proper caution, will hesitate before making widespread investments in this field.

"The involvements are complex," he continued. "Whatever parking difficulties exist stem, in part at least, from traffic congestion."

**EVERYBODY** who studies the question without passion arrives at the same conclusion, until one is almost forced to believe that, instead of there being a serious shortage of parking space—which is moot—there are too many automobiles where comparatively few have any justification in being.

Asked whether the situation, in Cincinnati, as an example, is as bad as pictured in the press, Lloyd answered, "During the past year, I am told by a recognized authority in the parking business, 1,700 new parking spaces were provided by private enterprise. The number grows as facilities become available."

Yet, in the city council demands are being made to condemn eight or nine building sites, for parking spots, and build municipal garages on established lots now privately owned. This on the grounds that the industry has "fallen down," and

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2,000 to 2,500 more spaces must be built forthwith—or else!

Like the hue and cry for housing, according to Lloyd, the repetition that we need greatly increased parking facilities, *by everyone who has a little trouble parking on a busy day, creates a fictitious demand, and when what should be a serious inquiry . . . becomes panicky agitation with charges and countercharges, a picture so confused as to be unrealistic emerges.*

HE is not denying the possible need for parking space, but decrying the careless use of unsubstantiated figures, and the dangerous lassitude which encourages government ownership fadists.

"Garage owners," he said, "report there is considerable unused space during much of the year. Lots report more nearly normal capacity occupancy."

To arrive at correct estimates of the situation he advises that the city authorities direct their attention to the traffic congestion problems, because these must, from the standpoint of public safety and convenience, be solved; any solution will involve prohibition of parking during business hours on the streets of the basin. Streets are primarily highways, and should be used for such purpose, not as revenue producers for parking meters. When this necessary step is taken, the need for off-street parking will increase,

*but, until it is done, and a factual study made of the increase thus created, no man can tell what it will be.*

Who should make this study? Lloyd thinks that the city, with the parking association, Downtown Property Owners' Association, and Retail Merchants Association, as a joint effort, preferably to be started by the parking association, should conduct a study to develop the real facts: How many parking spaces are available? How many are needed for daily use; what is to be done to provide more space?

Aimed at Cincinnati, the suggestion could apply to any city, and Lloyd further suggests that requiring new office buildings to provide for parking space in their plans may be highly desirable.

REGARDLESS of the multiplying accidents, a threat of underwriters to up fire insurance rates, because traffic impedes approach of fire apparatus to blaze scenes, adding to casualties and fire damages, the city fathers will hesitate long and loudly before eliminating the "revenue producer meters," which brought in more than half a million dollars last year.

Parking interests will look askance at any such board as Lloyd recommends.

"The data of the NPA show," said B. M. Stanton, pioneer Norfolk parker, "that over 80 per cent of municipal parking plans have been actively sponsored by members of chambers of commerce, mer-



**Q** "SUBSIDIZED parking is NOT the answer! Nor municipal ownership in disguise, the 'authority.' Independent, unsubsidized parking is here for good, God and government granting, but cannot be expected to cure anything alone. It is but a fine aspirin applied to an EFFECT, where a powerful antibiotic is needed for the CAUSE."

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chants, downtown building managers, or groups representing these interests."

Lloyd has shown he is not among these, and the national chamber agrees with Lloyd's views.

Writing in *Parking*, NPA's national organ, Stanton says these thoughtless businessmen "sponsor plans for government to take over and compete with activities of another group of businessmen, and, with complete illogic, contend that their ideas are not socialistic."

Stanton calls them "part-time private enterprisers," because in most other things they oppose municipal interference, and "vigorously protest if applied to themselves."

He speaks from bitter experience, for in 1947 a plan was broached that the Norfolk city council expropriate four existing parking facilities of private operators, and create one big municipal operation.

**A**LTHOUGH the planning commission disapproved, the downtown merchant sponsors pressed the issue, and Stanton, owner of several parking spots, protested.

The city council approved the idea after it was battled over in the public prints, and Stanton organized his fellow operators to obtain a referendum.

The merchants, calling themselves "Downtown Parking Association," fought this, using every possible advertising media, and when the necessary signatures were obtained, the organization tried to disqualify them.

However, the operators, after having battled the question for four years, won the election in 1951.

Both sides spent sums of money, energy, and time, and this could be dubbed democracy in action, and the vindication of

right over might. Yet many thinking citizens are still asking themselves if it was necessary. Why should a group of rugged individualists turn suddenly into temporary Socialists, and try to take over the business of another group, and turn it into a government monopoly?

Stanton's courage drew nation-wide attention, and was largely responsible for the NPA's origin, with him as its natural leader.

Which explains NPA skepticism toward merchants' groups as suggested by Lloyd, and what the latter meant when he told the delegates to "fight for your business life!"

It is, indeed, a business worth fighting for—not just find a lot, put up a sign, and collect fees.

**W**• FINGAL, in *Parking*, shows that "The off-street parking facility is today big business. Its investment in equipment and structures totals almost a billion dollars. If land values are included . . . multibillions . . . so large that many of its problems have become national problems . . . (with) in some areas, an almost nonexistent understanding of the growth, size, and expanding problems of the parking industry."

Stanton calls the average sponsor's reason for muni-parking "cooked up," yet it is a city's duty to preserve downtown tax values.

Lack of parking space, he says, never affects this, as tax values are inclined, from time to time, to shift from one section to another, without any over-all loss of tax revenues.

He believes that if, as in some progressive cities, building codes require owners to furnish parking in new erections, old





### Transition Not Decentralization

**“D**ECENTRALIZATION . . . is an unfortunate word to describe the natural transition in urban centers. It is used mostly by hitching-post mentalities; business downtown was not ruined when the posts were removed. It should not do so now, with threatened shortages of hitching posts for autos. Today's carriage trade rides the busses to shop, or parks off-street . . . Ninety-odd per cent of curb parkers are either downtown employees, or on other errands.”

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establishments should also be made to provide these facilities, since increased business generated the demand.

If a city feels it must provide parking for downtown merchants' patrons, it should reimburse supermarkets, neighborhood shopping centers, and others who built their own facilities, he thinks.

Otherwise, he reasons, suburban merchants will be paying taxes on their parking lots, while their downtown competitors go scot-free, and noncar owners will pay for autoists' comfort and convenience.

**C**HAMBER'S Evans makes this pertinent statement, "Actually, this is a matter

of economic competition between different geographic commercial sections, which I think they should keep in the realm of business competition."

He goes on to say that as a practical matter, government is not doing very well in the parking business, and he doesn't think it ever will. "When you start taking the taxpayers' money," he told me, "and use it to benefit certain business properties to the advantage of others, you develop plenty of pressure and tension among those who are not benefited—investors in parking facilities, retail merchants, and investors in transit facilities."

Yet, we find Fred Lazarus, Jr., presi-

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dent of Federated Department Stores, Inc., telling the Ohio Planning Conference that he believes a single authority on the state level should be formed, responsible for expressways in the state and cities; and that cities should maintain parking lots with meters or build and operate garages, which will eliminate congestion, and be self-supporting.

It seems to me businessmen, in their Olympian aeries, should know that "self-supporting" clichés of Socialists are only that—clichés.

Stanton knows it, decrying "can't lose, fancy sales talk," like "it won't cost the taxpayers a cent." In mentioning parking fees as covering bond retirements, they fail to mention the city's loss of tax money, and that meter funds are often illegally pledged against bonds. (Robbing meter to pay park!)

Hidden costs, operating charges, interest charges are glossed over, he says, as is the fact that the city will pay to save face if "irresponsible schemes fail to pan out."

ONE of the most unpleasant aspects, he feels, is the pressure by selfish interests with exaggerations and misrepresentations. They charge private enterprise with failures, but with no data to support their claims, relying entirely on opinions and hearsay, and the reactions of a propagandized public to constant press references to "The Great Parking Problem."

The public, he says, "speak of parking as glibly as they do of the weather," most of them from experience in trying to curb park, and not from failure to obtain off-street parking; NPA statistics prove they could have easily found this in a vast majority of cases.

The Virginian spikes another contention that a city must get in the business to assure permanency of parking.

"Isn't that a silly excuse for taking over a man's business?" he asks. Competition and public demand he names as the only things governing permanency in our kind of enterprise, noting the impermanency of politics.

One group, he said, can change completely the policies of its predecessors; the whole matter of municipal parking, he charges, is fraught with politics.

In the permanency claim, there is similar illogic, he insists, in a city taking over department stores to keep them from moving from the basin, and to protect the tax values, and the city's investment in parking facilities.

CUSTOMER parking is definitely not the city's problem, but that of the merchants, as much as are air conditioning, escalators, and other customer conveniences, according to Stanton.

On this, Evans makes the following observation:

Economically and morally the provision of lots for shoppers is no more a municipal responsibility than is the provision for elevators in buildings. An elevator and a parking lot are both on private property, usually, and both are extensions of the main traffic ways in the downtown areas. The only reason we don't find municipally owned elevators is that the elevator congestion has not yet reached the serious point.

Stanton joins all parking officials in urging merchants to build better mouse traps, and nothing on earth will deter shoppers from beating paths to their coun-

## TRAFFIC CRISIS—IS SUBSIDIZED PARKING THE ANSWER?

ters, even if he—mostly she—has to walk a mile.

If tax values drop, Parker says, merchants' wiles and wares have fallen down on the luring job; and as Evans, speaking impartially for the chamber, points out that whether or not merchants have been lax in luring, government nor the chamber have any business taking sides in local squabbles, which should never be allowed to generate to the point of public degeneration, but be settled by friendly conference, in which government has no legitimate place at the expense of the general taxpayer.

THE president of a muni-parking authority is quoted by Evans as declaring that "private enterprise can't economically provide for peak loads, and the city is bound to enter the scene, and do something about it." (At a great loss, it is assumed; but why worry, the taxpayers can pay it.)

Evans calls this side-stepping the issue, and invoking the "end justifies the means" shield of venal authoritarians of which the world is so sick.

He asks why taxis, busses, or any other kind of business, when peak loads develop temporarily, should not call on the city for help? With traffic cops for store elevators, government control of perpendicular traffic would be strictly in order, and the city charged with building more escalators

faster, to the delight of Mr. Sears, Mr. Roebuck *et al.*?

To promuni-parkers who use city-built water and sewer lines as examples, Evans answers that the city invariably stops at the curb. Arguments for municipal terminals for autos, he asserts, hold no more water than the expectation of municipally provided faucets, hydrants, or bathrooms for private or business structures.

Parking interests claim it is the inordinate fear of "decentralization," rather than an honest desire to render public service, that prompts frantic demands for more off-street parking.

DECENTRALIZATION, obnoxious to NPA, is an unfortunate word to describe the natural transition in urban centers. It is used mostly by hitching-post mentalities; business downtown was not ruined when the posts were removed.

It should not do so now, with threatened shortages of hitching posts for autos. Today's carriage trade rides the busses to shop, or parks off-street, according to the chamber's booklet *Big Squeeze*. Ninety-odd per cent of curb parkers are either downtown employees, or on other errands.

These cannot, or will not, pay garage fees, being used to paying a nickel, or nothing; Cincinnati reports as many as 7,000 illegal parkings in a day, and plenty of room, most of the time, in downtown garages.



"ARGUMENTS for municipal terminals for autos . . . hold no more water than the expectation of municipally provided faucets, hydrants, or bathrooms for private or business structures. Parking interests claim it is the inordinate fear of 'decentralization,' rather than an honest desire to render public service, that prompts frantic demands for more off-street parking."

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Thus, it seems, merchants are fearful that a disgruntled 5 to 10 per cent of customers will bring about decentralization and ruination.

Banks have no such fear, as they continue to boast about new branches being established in the suburbs. Adoption of branching out to displace "decentralization," could possibly dissipate some gloomy thinking.

Modern fronts, lighting, and fixtures, combined with attractive displays and ingenious advertising, are helping some stores keep their chins and receipts up; a general emulation by the rest could easily offset any real or imaginary inroads by suburban merchants. These, and many others no doubt, are the better mouse trap ingredients which have always been able to provide mink coats for tired businessmen's wives.

J. C. Penney Company, Woolworth, and Walgreen will open branches at the new building, Newport, Kentucky, 2,000 parking spaces, shopping center, just across the Ohio, while gaily carrying on as usual in Cincinnati. Some smaller shops are said to be waiting for the big fellows to branch out and they will follow suit.

NPA reiterates it will supply any demonstrated need for off-street parking, but the within-a-block type, prevalent in very small cities, is not feasible in built up, large cities.

Tearing down many valuable structures in the heart of town will kill the egg-laying goose. Utilizing good store fronts as garages would rob a city of taxes and merchants of opportunities to sell goods, with consequent losses in revenues to both, which far outstrip those derived from parking.

A plethora of parking spaces in the core could not exist on reasonable fees from peak-load shopping-parking, as these are too far apart and infrequent; two days' receipts would generally have to account for six or seven days' normal operations, weekly.

In this connection, Harland Bartholomew, eminent St. Louis city planner, told the American Institute of Planning the price of elaborate street and highway systems, and large parking facilities, is too high for the results obtained; excessive use of private cars, he said, slows public transit, further reducing its use, and a vicious circle ensues.

Francis S. Buchanan, NPA director, and president of the Cincinnati Parking Association, suggests greater use of mass transportation as one key to the problem of congestion and off-street parking.

He echoes the national body, which has asserted much sympathy for the transit industry, and Evans said, "There is always the alternative to off-street parking—public transit and decentralization, which, from a community standpoint, are probably better in many cases, than the cramming of more automobiles in congested areas."

GUY C. HECKER, late executive manager of the American Transit Association, observed that ATA and NPA have "certain basic problems in common," and that there is excellent opportunity for constructive co-operation.

One of these basics is that parking has become a political puck for precinct-sized statesmen to ply across the thin ice they would, if they could, have all public utilities skate in constant trembling and fear of usurpation by government.



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These folk never stop to reason that if the parking industry were out to make the modern "fast buck," it would pretend to fall in with socialistic schemes. It would join the muni-parkers, encourage orgies of spending city money, obtain attractive leases, crowd the city with garages, make a lot of money in a hurry, and then skip to other gyp points.

But NPA is not of this kind. They are solid citizens, with all that implies, and recognize parking for what it is, a modern necessity within the bounds of reasonable, actual needs, and not a mushroom, get-rich-quick scheme to exploit city treasures to the limit.

John Lloyd advised them not to attempt to secure legislation to limit competition. He calls this the "curse of trade associations today."

They heed this advice, encouraging businessmen to go into actual competition with them by building parking spaces, and declaring as did the veteran parker, Buchanan, to me, "the movement of people in the downtown area is the prime objective of business—not the movement, or park-

ing of cars. Automobiles do not spend money." And advising a greater use of public transit.

**I**N another subsequent article by this author it will be shown how some merchants have very successfully financed and operated parking places, and a very sensible and practical suggestion by a prominent transit official, which might well prevent our great business and merchandising centers from becoming mere storage places for automobiles. Subsidized parking is *not* the answer! Nor municipal ownership in disguise, the "authority."

Independent, unsubsidized parking is here for good, God and government granting, but cannot be expected to cure anything alone. It is but a fine aspirin applied to an *effect*, where a powerful antibiotic is needed for the *cause*.

The theme of the ensuing article is that only by the integration and co-operation of all civic, business, and private interests accepting, patriotically, temporary "sacrifices" for the common good, can it be done.



## Uncle Sam's Swelling Payroll

**"T**HE federal government today has about two and a half million employees, not including the military. No government can direct a bureaucracy of two and a half million obedient servants and remain free. The federal government has a budget of about 85 billions. No government can spend any such share of the national income from one single center and preserve an economy in which the people can remain free men. The budget and the bureaucracy are power over you and me. They must be demobilized."

—WILLIAM E. JENNER,  
U. S. Senator from Indiana.

# But You Can't Sell Kilowatts On Glamor

Electricity as metered is poor merchandise. What you have to sell is something for using it—appliances. To do that, you have to go away back where people are dreaming of homes, as they do in Los Angeles.

By JAMES H. COLLINS\*

**W**HEN it comes to glamor, electricity is like the mystery writer's blonde—it has all the right curves in the right places.

But as merchandise, kilowatts are tough.

You can't build them into a display that will stop store traffic. If you could, it would be hard to pass out samples like cookies in the supermarket—and nobody would buy them on impulse.

The rates at which kilowatts will work, how many potatoes cooked for a penny, are truly ridiculous—but you cannot

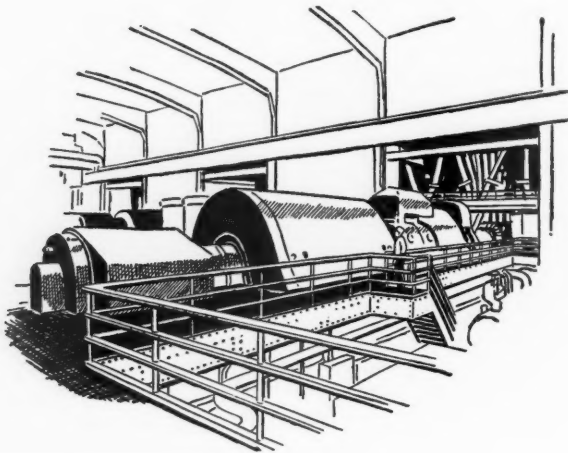
price-tag them to get the stock moving.

Among the many presents women like to give each other, they never give kilowatts—so you can't gift wrap them.

In fact, when you come to sell it, electricity is only "juice," and all the utility company has to sell, and nobody has yet found out what it is, nor seems to be greatly worried.

To sell electricity, you have to go away back and sell something else, an appliance to use it. There must be appliance dealers and manufacturers, and your customer must have a house, designed by an architect, put up by a builder, wired by an electrical contractor.

\*Professional writer, resident in Hollywood, California. For additional personal note, see "Pages with the Editors."



## BUT YOU CAN'T SELL KILOWATTS ON GLAMOR

It is a "fire-burn-stick, stick-beat-dog" sequence, and many months pass before the utility company sends in the first bill, and the householder probably says, "Wait a minute—is this in line with what I've been paying?"

Somebody has to start this sequence, so why not the utility company?

ON the Pacific coast they are starting it with a pattern that goes back beyond the architect and builder, beginning at the point where people are dreaming about the houses they are going to build, and the electrical appliances they are going to have in them.

This pattern is based on some new factors in electric utility service.

Population has grown beyond all whooping in these states.

There has been a tremendous popular interest in home appliances since war's end.

The pattern was developed by the home lighting committee of the Pacific Coast Electrical Association, which includes all branches of the electrical industry.

Here is how it worked for the builder who applied it in co-operation with the Southern California Edison Company:

The builder had put up and sold 3,500 houses in the years following the war. The houses were in the \$12,000 to \$15,000 category, classed as "average," or "above average," suited to moderate income customers.

The utility's residential sales people learned that he had bought some acreage for \$25,000 to \$35,000 houses, and intended to build a luxury "model" home to attract the public, and help sell his houses on contracts, building to the purchasers' requirements.

Up to that point this builder had been selling houses. The utility fellows suggested that he go strong on electricity, in lighting, wiring, and appliances, and sell his houses by the electrical features. That was a new angle. It made sense. He went along.

"AVERAGE" generally means that a house is closely budgeted, according to the features that sell houses. Bathrooms have long been a popular feature, and where as much as \$1,000 may be allocated to plumbing, the house will be trimmed pretty close on wiring and lighting fixtures. The electrical contractor has long envied the plumbing contractor's cut.

The utility men prescribed for that model house just about everything they could think of in electricity. Costs were forgotten. The wiring was all red seal, with special circuits for the heavy appliances that have come in lately, like room air conditioners. The lighting was up to the minute. There was every kind of electrical appliance in the kitchen and laundry, and outdoor lighting, prowler switches, electronic controls for doors—the modern electrical home, complete to the lit-up house number.

When it was finished, the electrical features ran up to \$10,000. The effects were so stunning that the builder added another \$10,000 for furniture and decoration.

"That makes it a \$55,000 house," he reflected. "It isn't likely that anybody is going to pay that much in this neighborhood. But if it sells my other houses, as these electrical men say, it will pay."

Three weeks after this house was opened to visitors, 20,000 people came to see it. After five months he had to sell it to an impatient customer, and buy more

## PUBLIC UTILITIES FORTNIGHTLY

acreage for \$250,000 worth of signed contracts. Up to that time, 150,000 visitors had viewed it.

Before the opening, the builder's salesmen were given a detailed course of instruction in the electrical features. This was something new to them, as real estate salesmen who had always sold houses. There was a little skepticism.

"You'll find that people are interested in these electrical gadgets," the utility fellows assured them. "These are good talking points. They stimulate interest. Get the most out of them. It will make you more productive as real estate salesmen."

"Uh-huh!" they muttered.

When one salesman sold sixteen houses in four days, they believed it.

**T**HIS emphasis on electrical features is right on the nose of a boom—that in home appliances, which has wrought a transformation since the war.

During the war, appliances were foremost in the popular mind, because unobtainable. People were promised all sorts of wonderful new contrivances as soon as production was possible. There was such a stampede to buy the first appliances available that the industry went through a cats-and-dogs stage, purchasing products made in small shops as fill-gaps. There

was an appliance stampede of short duration when hostilities broke in Korea—soon over, when the public decided that there was not going to be any appliance shortage that time.

Since the war, there have been put into homes the automatic clothes washer, the clothes dryer, the home storage freezer, dishwasher, garbage disposal unit, room air conditioner—and television. Electric ranges and water heaters have been actively promoted, and there are now infra-red cookers, deep-fry cookers, electric table grills, and numerous small appliances.

**T**HE number of wired homes has increased from 29,351,439 in 1946 to 42,306,600 in 1953. Home consumption of current has increased in the same period from about 1,000 kilowatts per customer to more than 2,000.

Millions of American homes are underwired, because up to Pearl Harbor there were few heavy appliances. Outlets enough to accommodate the toaster, electric iron, vacuum cleaner, and refrigerator were the standard arrangement. New appliances, doubling the home load, call for more adequate wiring, and that is one of the things that utility companies now have to sell as a necessity before more load can be sold.



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## BUT YOU CAN'T SELL KILOWATTS ON GLAMOR

THERE is also a strong national interest in home ownership. Recent census figures show a higher percentage of American families owning or buying homes than at any time since 1890. The American family was static then. It had no car, and the breadwinner's job did not necessitate pulling up roots. But far from declining in this mobile age, home ownership has increased, and is still increasing. Homes are owned by 54 per cent of nonrural families nationally, and by 69 per cent of country families. Cities up to 50,000 population have 57 per cent ownership, and even in metropolitan areas, where apartments and rentals prevail, there is nearly 50 per cent ownership.

These new national trends give the electrical industry something to put in the show window.

The Pacific coast pattern also sells homes in the lower income brackets, spotlighting advanced wiring, lighting, and appliances.

A northern California builder was putting up houses to sell at \$12,500 to \$13,500. The local utility company convinced him that electrical features would help sell his houses, and a model was built, furnished, and decorated by a local company, with the co-operation of an electrical wiring contractor, and the boosting of a home magazine editor.

Emphasis was placed on lighting. Budget figures for such houses may run as low as a couple of hundred dollars for wiring, and less than twenty dollars for lighting fixtures. In this pattern house the wiring was red seal approved, and totaled \$550, with \$548 more for lighting fixtures, after which appliances were installed.

That looked more like the kind of money plumbers get!

THE wiring amply provided for the heavy appliances of today, and those that are likely to come tomorrow. There were built-in lighting units, outdoor lighting through underground conduit, flood lighting, automatic lamps in closets and corners—plenty of electrical talking points wherever you turned. A representative of the utility company was on hand during open-house hours, as well as a hostess and a salesman representing the builder.

This house developed a lot of modernization work, as well as sales of new houses. For each of the lighting effects was separately price-tagged, so that visitors could shop through the place and select features according to taste and pocketbook.

Before one of these model homes is opened to the public there is a preview for the press, with refreshments, photos, facts in releases. Co-operative advertising follows the preview, financed by the utility company, appliance and fixture dealers and distributors, the builder and wiring contractor, and manufacturers. Newspapers, radio, television, printed material, and publicity stunts are used.

The popular interest that can be stimulated is shown in the average daily attendance of 1,000 daily visitors for the first-described house, 150,000 over a period of five months. This house was on the outskirts of a town with less than 5,000 population.

THE same kind of trade teamwork has been stimulated in modernization of public school cooking classrooms. Even in normal times, the equipment with which young women are taught homemaking tends to fall behind, and after the appliance vacation of war years, many schools



### Future Opportunity for Mechanization

**"I**n these days of headlong progress in equipment and processes, with the automatic factory expected, there is room for many special services in electrical heating, cooling, heat treating, air conditioning, induction, and infrared techniques. Industrial catering is one very active field for special service, and another lies in retail trade, where improved lighting of merchandise, air conditioning of stores, and other electrical features give even the modest shop the glamor of its big competitors."

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really got obsolescent in this respect, and lacked money to re-equip. Southern California Edison sales people made trade arrangements for replacing old ranges and kitchen appliances with late models. The utility's specialists designed remodeled classrooms, and new equipment was installed on favorable terms by dealers and manufacturers, who saw the value of model classrooms for teaching young women who, in two or three years, would be furnishing homes of their own. These classrooms have been another way of putting electrical appliances in the show window, going back where people are dreaming, creating future load. ("Today's Tools for the Bride of Tomorrow,"

APRIL 29, 1954

PUBLIC UTILITIES FORTNIGHTLY, February 1, 1951.)

Home load is preferred merchandise for a utility company, because nine out of ten kilowatts are off the peaks. Gas has a great advantage in imperishability. It can be held in mains for days, stored underground for months. What isn't sold today will be bought tomorrow.

But electricity flows away like sunshine, and sales promotions must always take peaks and valleys into account.

**T**HE Los Angeles area has two entirely separate markets for "juice," that of Edison outside city limits, and the two million and more people served by the

## BUT YOU CAN'T SELL KILOWATTS ON GLAMOR

municipal Department of Water and Power.

But in both cases, selling starts away back, and the city department, aggressive in sales promotion, has its future customer with a dream. He is the industrialist elsewhere who eventually may move his factory to Los Angeles, or establish a branch plant. It may take years before a bill is sent the new industry, but it is a substantial bill.

Population growth in municipal Los Angeles has been so abnormal since the war that recently a special census was taken. Final figures showed Los Angeles just 335 residents short of displacing Philadelphia as third city.<sup>1</sup>

Whereupon, Los Angeles annexed 7,500 new residents, and announced that it was out to displace Chicago. This was part luck, when annexation of a suburb, applied for months previously, was approved. It happened to jell at the right moment.

Los Angeles has used annexation to good advantage at the other times, as when it became a seaport by taking in a 20-mile strip to the ocean. If Philadelphia and Chicago ever start an annexation race the thing will be—good clean publicity.

The city power department seeks to annex industries for the municipality, as the chamber of commerce seeks them for the county.

**I**N many an older industrial region there is the industrialist who dreams of a factory, in a sunny clime, with more time for golf, a longer life, and farewell to snow, ice, and congestion.

The department plays upon this dream.

It locates the industrialist who has it, and writes him periodically, sends him literature, occasionally drops in to see him, maybe with a box of oranges. Acting for the city, its promotion program is probably more elaborate than that of the privately owned utility. ("Building Load with a Bunch of Cards," PUBLIC UTILITIES FORTNIGHTLY, December 7, 1950.)

Over the years, industrialists take action, moving factories or establishing western branch plants. From dream to reality the department has special services. While things are in the tentative stage, with other western cities competing for the plant, Los Angeles will supply any data required on sites, buildings, water, power, markets, labor, transportation. Through experience, much of this data is supplied from files, often read from cards over the phone. But special investigations are made whenever necessary.

**T**HE files on available sites and buildings are complete, even to modest rentable quarters, and are kept up to date. Real estate agents have such data for the properties they represent, but to get the whole city picture would be a formidable undertaking for an individual business concern. The department lists properties by acreage, floor space, types of building, prices, rents, localities, transportation, and other facilities. The dealings from there on are between the customer and the owners or agents to whom he is referred by the department.

When a new plant comes in, there are further services for various purposes. To assist in making the best use of power, wiring layouts are recommended for the particular conditions. The department takes a keen interest in the industrialist's

<sup>1</sup>Philadelphia 2,071,605, Los Angeles 2,071,271.

## PUBLIC UTILITIES FORTNIGHTLY

costs, recommending methods that will reduce them. Its industrial customers' accounts are regularly checked for its most favorable rate schedules.

**I**N these days of headlong progress in equipment and processes, with the automatic factory expected, there is room for many special services in electrical heating, cooling, heat treating, air conditioning, induction, and infrared techniques. Industrial catering is one very active field for special service, and another lies in retail trade, where improved lighting of merchandise, air conditioning of stores, and other electrical features give even the modest shop the glamor of its big competitors.

The department renders special service to home owners in planning lighting layouts, kitchens, and laundries, and to architects, electrical contractors, builders, and others who translate dreams into homes. What is on the drawing boards today will materialize in load tomorrow. Contacts through the sales force keep track of dreams being blueprinted and contracted.

The department is like the private utilities in that its promotions are keyed to a strong appliance trade. It advertises, supplies information services, sets up appliance displays, but refers all customers to the trade.

Typical is the postwar promotion of

low-saturation appliances, like clothes dryers, dishwashers, disposal units, and electric blankets.

**I**N a subtropical region, the electric blanket might be regarded as an Eskimo-refrigerator proposition. Actually, it has a keen market in Los Angeles, provided the angles are taken into account.

It would be difficult to find a coal shovel in Los Angeles, and heating equipment is on a light order, electric or gas units, needed a few hours in the day, and a few weeks in the year. The electric blanket fits snugly in.

Several years ago, the department began advertising this appliance, with timing for the climate. In colder regions, blanket promotion can start before Thanksgiving. In Los Angeles it waits until after Thanksgiving, and stops in midwinter and can be more intense.

This initial advertising sent consumers to dealers, who increased their stocks of blankets, made displays, did some advertising themselves. When electric blanket promotion by the department was repeated next season, there was stronger dealer support. By the third season the trade expected such promotion as a regular thing, and it became a fixture.

Using similar techniques to promote other low-saturation appliances, and backed up by the trade, the department has



**Q** "... when you come to sell it, electricity is only 'juice,' and all the utility company has to sell, and nobody has yet found out what it is, nor seems to be greatly worried. To sell electricity, you have to go away back and sell something else, an appliance to use it. There must be appliance dealers and manufacturers, and your customer must have a house, designed by an architect, put up by a builder, wired by an electrical contractor."

## BUT YOU CAN'T SELL KILOWATTS ON GLAMOR

gained up to 20 per cent saturation for some of the appliances that need missionary work.

**F**OR electrical contractors there has been promotion of modern wiring, which has become one of the chief problems of the entire electrical industry. Nine out of ten Los Angeles homes are still wired only for lighting and small appliances. But air conditioning, Pop's workshop, and the heavy appliances, cannot be taken care of with such circuits. Fuses blow, multiple plugs fail to give enough outlets, and there is trouble.

The department urges ample certified wiring in old as well as new homes, and goes over plans and makes recommendations for securing the adequate wiring certificate.

All of which stirs up customers for the wiring contractor and fixture dealer, and,

later on, for the electric appliances.

Electricity has glamor—to the fellow who competes with other kinds of utility service.

It is like the who-dun-it? blonde, with a ravishing figure, platinum hair, bold green eyes accented by wispy brows, bringing an overpowering aroma of Deadly Nightshade, throwing its arms around you with a madly impulsive kiss.

Brother, those are the appliances, not electricity.

**E**LECTRICITY is invisible, has no aroma, is most tangible to the customer who pays the monthly bill when service is interrupted.

The customer's knowledge of it is that of the Two Black Crows—he knows enough about it to leave it alone.

To sell this mysterious stuff, you have to begin away back.

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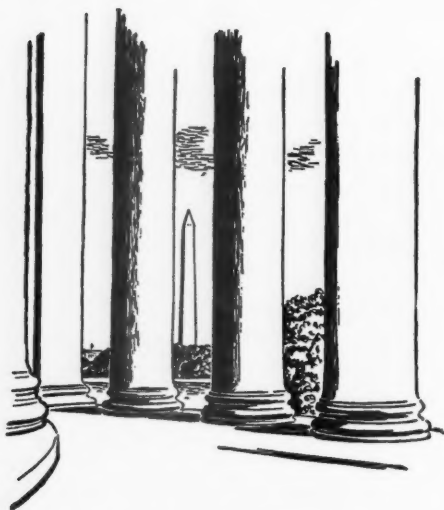
### Electric Usage in a Recession

*"As would be expected, during periods of decline in business, the industrial sales in kilowatt-hours fall off. . . . [Analytical charts will show that] total industrial man-hours drop off during depressed business conditions. However, I wish particularly to call general attention to the fact that the kilowatt-hours consumed by manufacturing industries per man-hour increase during such times. This would seem to substantiate the feeling that the completely electrified manufacturing plants are the ones that continue to operate in times of business declines. Thus our industry is fortunate in that industrial kilowatt-hours do not experience a decrease proportionate to the decline in manufacturing operations. . . .*

*"... the present economic readjustment offers an excellent opportunity for all having to do with power sales. As is always the case when there are indications of a falling off in business, our industrial customers look more closely at production costs. We know that the completely electrified plant is the low-cost plant that keeps operating year in and year out, but it is up to us to see that our customers know it. It is time to dust off the production methods analysis section of the EEI POWER SALES MANUAL and apply the principles it contains."*

—WALTER H. SAMMIS,  
President, Edison Electric Institute.





## Washington and the Utilities

### *Gas Production Problems*

WITH President Eisenhower's signature on the Hinshaw Bill to exempt intrastate distribution from FPC jurisdiction, the natural gas industry turned its eyes to the other end of the pipeline. Focal point of the perennial question of production cost and supply prices came up in two days of argument before the U. S. Supreme Court in its consideration of the celebrated Phillips Petroleum Case. This appeal grew out of the voluntary effort of the FPC to bow out of the regulation of independent producers of natural gas, such as the Phillips Company. The court of appeals of the District of Columbia disagreed. And the Supreme Court, having once declined to review the lower court decision, finally decided to hear the opposing argument.

On the first day, U. S. Solicitor General Sobeloff took up the argument on behalf of the FPC. He told the court that Congress never intended, under the Natural Gas Act, to regulate producers. He was backed up by Hugh B. Cox, arguing for the Phillips Petroleum Company, who warned against the undesirable consequences of excessive regulation of the

natural gas industry if the lower court's decision should prevail. Former Texas Governor Dan Moody completed the presentation on behalf of the producing states, arguing their right to regulate gas production as a matter of conservation, as distinguished from federal regulation primarily for other purposes by the FPC.

On the other side, counsel for the Wisconsin Public Service Commission, William E. Torkelson, reviewed the legislative history of the Natural Gas Act and attempted to reject the arguments made by Solicitor General Sobeloff. He argued that Congress did intend to have the FPC exercise the jurisdiction to regulate sales of natural gas by producers, because it is an inescapable part of the regulatory process for fixing rates of interstate pipelines. Similar arguments were made by Charles Rhyne on behalf of Kansas City, and James H. Lee, who started the proceedings in 1946, in behalf of the city of Detroit.

THE few questions by the Justices did not reveal any particular slant of judicial thinking on the case before it went under advisement. The absence, on

## WASHINGTON AND THE UTILITIES

account of illness, of Justice Jackson was some cause for concern to those in favor of exempting the producers from FPC control, since it was believed that Jackson (judging by his well-known opinion in the Hope Natural Gas decision of 1944) is especially familiar with the problems of the natural gas industry.

At any rate, the final word on the case is not expected much before the court adjourns, generally in the first week of June, for the summer recess. This would be much too late for Congress to make any progress on legislation to exempt producers in the event the court majority decides to require the FPC to take over this field by its decision in the Phillips Case.

Senator Kerr (Democrat, Oklahoma), who issued a favorable statement on the Hinshaw Bill after the President signed it, has shown no interest in reviving a production exemption bill along the lines of the Kerr Bill, which former President Truman vetoed after it had passed Congress in 1949. Whatever the court may decide, at least the issue will not be at an embarrassing stage for either gas-producing or gas-consuming state Congressmen during the forthcoming fall elections.

**M**EANWHILE, Representative Oakman (Republican, Michigan) dropped in to the House hopper a companion to the Ferguson Bill which would require the FPC to stick to original cost in valuing company-owned production for rate-making purposes. Representative Oakman even went a step further than Senator Ferguson by addressing a letter to FPC Chairman Kuykendall on the subject. He asked Kuykendall to have the commission hold up its decision on the Panhandle Eastern Pipe Line Case until after the House Interstate and Foreign Commerce Committee could start hear-

ings on his bill. It is not believed likely that the FPC will respond to this pressure. In the Panhandle Case, the company had asked the FPC to switch from original cost to "fair field price" in determining the value of company-owned production for rate making.

### *House Cuts Public Power Funds*

**O**N April 5th, the House approved a \$364,300,000 appropriations bill for the Interior Department in fiscal 1955. Only \$977,000 was restored out of the \$58,000,000 cut recommended by the House Appropriations Committee. President Eisenhower had requested \$422,118,430 for the department. The deepest cuts made by the committee and upheld by the House were in construction funds for the Bonneville Power Administration and the Bureau of Reclamation. BPA was granted \$23,915,000—a reduction of \$12,885,000; the Reclamation Bureau was granted \$140,179,700—a reduction of \$15,112,300. For the Southeastern Power Administration the House allowed \$1,228,000, \$222,000 below budget requests.

The House added \$350,000 to the \$275,000 recommended in direct appropriations for the Southwestern Power Administration. In addition, the bill provides for a transfer of unobligated construction funds for SPA in the amount of \$775,000, making a total of \$1,400,000 available to the agency in fiscal 1955. No appropriations were made available for SPA's continuing fund, although \$450,000 was allowed to pay wheeling charges for delivery of power to preference customers over both REA co-op and private utility systems, and for purchase of firming energy from private utilities in the area.

Critics of Interior fund slashes are de-

## PUBLIC UTILITIES FORTNIGHTLY

pending on the Senate to restore some items, deciding not to risk an unfavorable House vote.

The House has approved \$103,582,000 for the Tennessee Valley Authority during fiscal 1955. The funds are contained in the Independent Offices Appropriation Bill, 1955 (HR 8583). The House rejected an amendment introduced on the floor by Representative Baker (Republican, Tennessee) that would have added \$38,218,000 to the TVA funds, thus cutting by that amount the administration's \$141,800,000 request. House members were told that TVA has an "ample" reserve and can—if it runs short of funds—boost rates it charges for electricity in the Tennessee valley area. The vote was 146 to 132.

### *Cost Allocation Agreement*

A HIGH-LEVEL federal agency agreement on a uniform system of cost allocations for multipurpose water resource projects has been reached. Parties to the agreement are the Interior Department, Army Corps of Engineers, and the FPC. The costs of dams and other joint facilities will hereafter be allocated so that all of the purposes of the project—flood control, navigation, recreation, power production, irrigation, and water supply—will share equitably in the reduced cost resulting from a joint development. In the past, the three agencies have used several methods of cost allocation, often arriving at three different answers on the same basic set of figures.

Cost allocations on Bonneville dam, Grand Coulee, Hoover dam, and Fort Peck, respectively, were all reached by the use of different methods. Under the new agreement, the agencies will be given a choice of three alternative allocation formulas, with the understanding that the

same system is to be used by each agency in figuring cost on a particular project. The agreement expresses a preference for what is called the "Separable Costs-Remaining Benefits" method of allocation.

### *Wisconsin Co-op Meeting*

A NATIONAL co-operative leader caused some surprise last month at a Wisconsin REA co-op meeting when he called for an end to the "double taxation" of business dividends. Jerry Voorhis, Chicago, executive secretary of the Co-operative League of the USA, told 400 persons at the annual Wisconsin Electric Co-operative banquet in Madison that business "should be relieved of paying taxes on the money it pays out in dividends."

He brought up the taxation question as he reviewed the "preference clause" of co-operatives that enables the organization to return its earnings to its patrons without being taxed on the refunds.

Voorhis further suggested that electric co-operatives explore the investment field so that they would not have to depend on government alone for rural electrification loans.

In suggesting private sources of capital for expansion of Rural Electrification Administration facilities, Voorhis said that co-operative leaders know that they will have to find sources other than the government. "Electric systems can't stop growing," he said.

Voorhis said the largest pools of capital in the nation were with the insurance companies and their prime investment is the stock of utilities. He suggested that the new approach be considered by co-operatives, since insurance companies have not invested a cent in the REA as yet.

Voorhis, a former California Congressman, claimed that REA has never cost the government "one red cent."

## Wire and Wireless Communication



### *Independents Urged to Help With Rural Phone Program*

THE great bulk of the demand for rural telephone service in Iowa must be the responsibility of the independent operating companies in the area, REA Administrator Anchor Nelsen told the annual convention of the Iowa Independent Telephone Association, held in Des Moines early this month.

"You have the basic equipment—exchanges and lines—which must form the network of service throughout the state of Iowa," Nelsen said. "You have service organizations already set up, established tariffs—and above all else, a great fund of experience in this highly technical field, built upon decades of operation. It was in recognition of these facts that the Congress recommended that already existing telephone companies should be encouraged to expand their facilities to provide service throughout unserved rural areas wherever they are willing and able to do so."

Nelsen told the association he firmly believes in this approach to the problem of getting telephones to the farmers. "REA will not compete with your efforts," he assured his audience. "The law does not permit us to do that and we have no desire or intention of doing so,

in any event. It is not our purpose to get into the telephone business." Wherever necessary, he said, REA will make loans to independent companies if capital is a problem. On the other hand, REA intends to supplement efforts of the independents by making long-term loans and technical advice available to farmer co-operatives to provide their own telephone communications, to the extent that there are areas which private companies are unable or unwilling to serve.

"If you can't extend your lines into some of these pockets," Nelsen said, "you can agree to reasonable switching and toll line arrangements with the nonprofit, farmer-owned telephone associations which provide their own service. The need for co-operation in this matter is surely a subject well understood" by most independents, he added.

IN an effort to solve some of the technical problems in the field of rural telephony, REA has contracted with several engineering firms to provide experimentation and research into carrier equipment and microwave transmission, Nelsen revealed. The agency is studying the possible savings in more extensive use of underground cable in some farm areas. Additional economies in construction and service are essential, Nelsen declared, if

## PUBLIC UTILITIES FORTNIGHTLY

rates are to be kept at a level where most farmers can afford them. "By now more rural people are beginning to realize that the days of the dollar-a-month telephone is a thing of the past. Good service costs money. We are convinced that farms, village stores, and rural industries need good telephone service enough to pay its cost."

The telephone loan program is rapidly picking up speed, Nelsen told the association. He revealed that REA loans during the first quarter of 1954 for extension and improvement of rural telephone service exceeded the total for the same period a year ago. The number of loans for these last three months was 32 as against 26 for the same month in 1953. The amounts totaled \$11,899,000 for the 1954 quarter in comparison with \$8,433,000 for the 1953 quarter. Loans made by REA through March 31, 1954, bring the cumulative total for the telephone program to 258 loans, amounting to \$162,477,218 since the end of October, 1949, when Congress authorized federal long-term loans to rural telephone companies and telephone co-operative associations. Five more cutovers to automatic dial service during March brought to 77 the total number of REA telephone borrowers which have place in service exchanges built with REA financing.

Nelsen noted, in conclusion, that the 1950 census puts Iowa near the top in percentage of farms with telephones—81.9 per cent, with only Connecticut exceeding Iowa percentage-wise.

### *Wire Tap Bill Faces Senate Hurdle*

THE administration's bill to permit wire tapping, already modified by the House, faces further difficulty when it reaches the Senate. The House proposal

gives Attorney General Brownell authority to order wire tapping in national security cases by the Federal Bureau of Investigation and military intelligence agencies. It would also permit evidence obtained by such means prior to enactment of the bill to be used on the Attorney General's authority. But once the bill is enacted, the Attorney General would be required to obtain a court order for a wire tap if he wishes to use the information in court. The measure provides fines of up to \$5,000 and imprisonment for not more than a year and a day, or both, for unauthorized disclosure of wire tapped information.

Brownell has been insisting all along that the court order requirement would cause too much delay to be very useful. However, his views stand less chance of acceptance in the Senate than they did in the House.

Senator McCarran (Democrat, Nevada) has introduced his own wire tapping bill which would place closer restrictions than those now existing on its use. McCarran's measure, instead of "legalizing" wire tapping, would prohibit it, but with exceptions. The exceptions would be wire tapping for admissible evidence by duly authorized law enforcement officers, including the FBI and military investigative units covered by the House bill. Although McCarran's bill is not likely to succeed in the Senate, it is clear that the administration will probably have to settle for something less than the sweeping authority sought by Attorney General Brownell.

### *High Court OK's "Give-away" Programs*

DEVOTED fans of the numerous "give-away" programs on radio and television are breathing easier now that the



## WIRE AND WIRELESS COMMUNICATION

U. S. Supreme Court knocked out a ruling by the Federal Communications Commission that such programs are in reality illegal lotteries.

The Supreme Court's decision means that stations may continue to broadcast such programs without fear that the FCC will refuse license renewals. The programs under FCC attack were those referred to as "telephone give-aways." Contests in which participants are taken solely from the audience were not involved.

**C**HIEF Justice Warren, who wrote the 8-0 decision (Justice Douglas not participating), ruled:

It is apparent that these so-called "give-away" programs have long been a matter of concern to the Federal Communications Commission; that it believes these programs to be the old lottery evil under a new guise, and that they should be struck down as illegal devices appealing to the cupidity and the gambling spirit. It unsuccessfully sought to have the Department of Justice take criminal action against them. Likewise, without success, it urged Congress to amend the law to specifically prohibit them. The commission now seeks to accomplish the same result through agency regulations. In doing so, the commission has overstepped the boundaries of interpretation and hence has exceeded its rule-making power. Regardless of the doubts held by the commission and others as to the social value of the programs here under consideration, such administrative expansion of (the law) does not provide the remedy.

The commission determined in 1949 that the telephone "give-aways" were lotteries and announced new rules under

which stations would lose their licenses if they continued with such programs. The big broadcasting chains—ABC, NBC, and CBS—filed suit to stop the FCC from enforcing its ban.

### *Senate Approves O'Hara Bill*

**T**HE O'Hara Bill (HR 6436) to exempt from FCC jurisdiction small telephone companies using radio facilities has passed the Senate, thus completing congressional action on the noncontroversial measure. Backed by the United States Independent Telephone Association, the Senate approved the bill in substantially the same form as it emerged from the House. Only one perfecting amendment was added by the Senate. As explained by Senator Potter (Republican, Michigan), in his report on the bill, this amendment merely adds a single sentence to cover intrastate communications that cross or touch intervening state boundaries. He stated:

The adoption of this amendment is merely a perfecting amendment and would obviate any possible technical argument that the commission may attempt to assert common carrier jurisdiction over point-to-point communication by radio between two points within a single state when the only possible claim that such an operation constitutes an interstate communication rests on the fact that the signal may traverse the territory of another state.

Potter said the commission has not attempted to assert itself under such circumstances in the past and that the amendment merely crystallizes present regulatory practice.

The House accepted the Senate bill without conference.



## Financial News and Comment

By OWEN ELY

### *Depreciation in Relation To Inflation*

**F**INANCE Vice President F. Warren Brooks of the Cleveland Electric Illuminating Company recently addressed the New York Society of Security Analysts on the topic "Economic Depreciation." To some extent this followed the lines of his article "Needed Reform for Utility Tax Depreciation" in the *PUBLIC UTILITIES FORTNIGHTLY* of September 24, 1953. However, some new points were brought out, both in the talk and in the ensuing discussion, which may be of interest.

He made the point that unless the depreciation accruals and reserves are adjusted to meet higher plant replacement costs, net earnings are overstated and dividend pay-out ratios are incorrect. This and other effects are shown in the table on page 559. Thus a pay-out ratio of 65 per cent would actually amount to 81 per cent on an adjusted basis, and higher ratios would be raised proportionately. For a company with a pay-out of 90 per cent, part of the dividend might well reflect a payment from surplus; and in some cases, if the reserve itself was adjusted to meet inflationary effects, the dividend might be in part a return of capital.

Mr. Brooks favors a campaign to persuade the state and federal commissions to recognize the need for higher depreciation accruals and hence the need for higher rates. He also favors recognition of this factor by the Treasury Department—except perhaps in cases where heavy accelerated amortization already serves substantially the same purpose.

**S**EVERAL companies have presented these arguments to regulatory commissions, including Peoples Gas, Duquesne Light, Michigan Bell Telephone, and New York Bell Telephone. Thus far there appears to have been no clean-cut decision recognizing this needed reform except in a decision by the supreme court in South Carolina (later held up in the supreme court of that state). A number of utility repre-

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## FINANCIAL NEWS AND COMMENT

representatives appeared before congressional committees some time ago, in connection with the preparation of the omnibus tax reform bill which is now before the Senate, but it is not clear as yet what success they have attained toward securing legislative recognition of the principle.

Mr. Brooks held that an approximate increase of 50 per cent in depreciation accruals seems needed for the average utility in order to protect earnings properly. On this basis 1953 net income for all class A and B electric utilities would, we estimate, have been reduced by about \$279,000,000. Assuming that income taxes could have absorbed about one-third of this increase, net income available for common stock would have been reduced from \$906,000,000 to \$720,000,000—a decrease of about one-fifth. This in turn would mean that many utilities are paying out 100 per cent of earnings.

The question was raised at the Analysts' meeting as to whether the improvement in efficiency has not gone a considerable way towards offsetting higher reproduction costs. Mr. Brooks replied that this factor should not be ignored but that even after such adjustment, replacement costs are substantially higher than in former years. There are, of course, many items in the plant account, such as land, which are not mechanical in character and where increased efficiency would not be reflected.

**Q**UESTIONED regarding the effects of higher depreciation accruals and reserves in the event of a *deflationary* trend—in which event earnings might be penalized—Mr. Brooks stated that he did not fear any such trend. In any event it would seem likely that readjustments of policy could again be made, should such a trend begin to have serious effects.

At the Analysts' forum a substantial brochure was also distributed, entitled

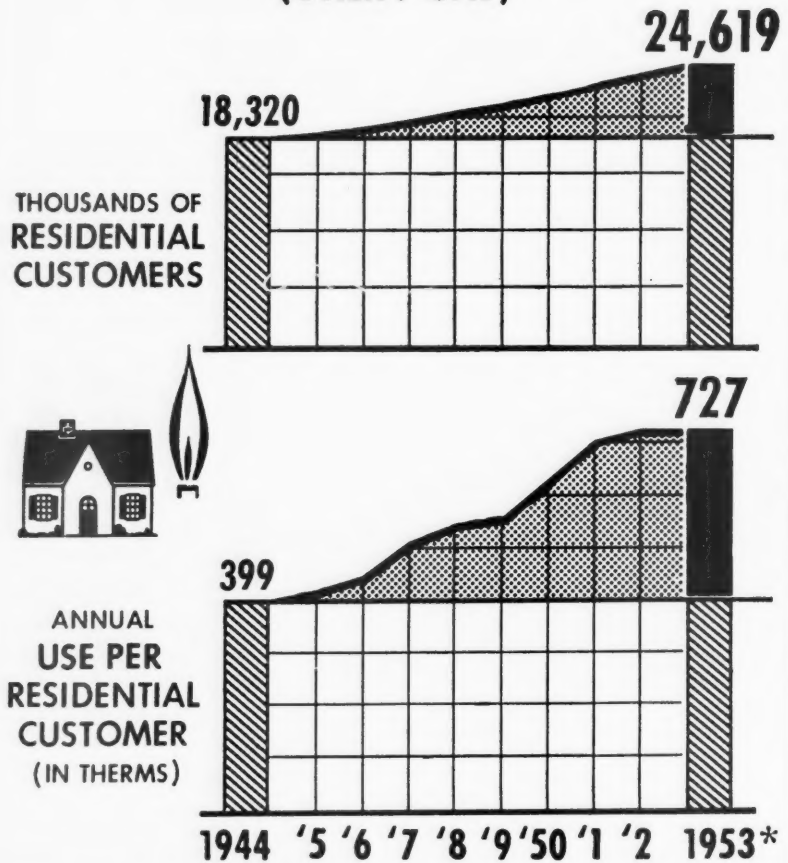
"Business Profits—Fact or Fable?" This is the first of a series of studies by the Business Executives Research Counsel of Greater Chicago, and represents a co-operative project on the part of selected business executives of the Chicago area and Northwestern University, financed in part by the Committee for Economic Development and the Ford Foundation. This study demonstrates in simple language and attractive format the importance of looking behind the ordinary or superficial bookkeeping of business operations to determine *true* earnings, and to make sure that the invested capital is being protected during the present inflationary period. Industrial business enterprises are just as concerned with the problem of inflation as are the utilities—in fact heavy inventories add to the problem in the case of many industrial companies. The study presents a number of illustrations and case studies in simple language, which stress the facts of inflation. The need for adjusting accounting reports in order to reflect real earnings, and thus properly determine wage and dividend policies (as well as tax regulation) is forcefully demonstrated.

**M**R. BROOKS' proposals raise an interesting question. Should the utilities be forced to compute depreciation on three different bases: one, to correctly report true earnings to stockholders; another to report income in accordance with an outdated formula for income tax purposes; and possibly still a different basis for the fixing of rates?

But during the present period of heavy financing, most utility companies would probably hesitate to adopt any policy which would suddenly reduce share earnings as reported to shareholders, at least until the regulatory commissions are fully "sold" on the necessity of granting offsetting rate increases. Some utilities have

# TEN YEAR INCREASE IN HOME USE OF GAS

(UTILITY GAS)



SOURCE: AMERICAN GAS ASSOCIATION

\* PRELIMINARY

**D**URING the past decade, the gas utility industry added an average of about 700,000 new residential customers per year. Significantly, the number of customers increased 36 per cent while the total family units in the United States advanced only nine per cent. In this 10-year period, use per customer rose 81 per cent, reflecting demand for natural gas for house heating and such newer uses as clothes drying, incineration and air conditioning.

## FINANCIAL NEWS AND COMMENT

doubtless even been disappointed that it has not become the fashion to credit share earnings with the tax savings resulting from accelerated amortization. Several companies which formerly tried to do this are now conforming to the general policy of the industry, supported by commission rulings in many states, not to credit share earnings with the temporary tax savings.

The utility figures submitted to the Treasury Department are usually not available to Wall Street, with the single exception of the depreciation accrual which is reported in footnote "d" on page 2 of the Annual Statistical Report. Hence the Treasury figures remain somewhat of a mystery. With respect to special accounting for regulation, this of course varies from one state to another, and even from one case to another. These variations, discrepancies, and exceptions are usually made available in rate decisions and are known to informed rate experts, but not always to the average analyst.

It would probably be easier and quicker to adopt heavier depreciation accruals and reserves in the special exhibits prepared for rate cases, rather than to wage a campaign to change the FPC rules and

the state regulations which now largely govern reports to stockholders. As a matter of fact the increasing use of "fair value" as a rate base largely solves the problem so far as regulation is concerned, since adoption of fair value makes at least partial adjustment for inflation in both gross plant and depreciation reserve.

Perhaps after the present intensive campaign for financing needed construction has run its course, the utilities can devote the necessary energy to better correlating and improving their three methods of bookkeeping, and to setting up more scientific ways for measuring true depreciation than the present arbitrary straight-line method now so widely used in stockholder reports under FPC sponsorship.

### *Treasury Might Not Lose if 52 Per Cent Corporate Tax Rate Were Reduced*

LITTLE has been heard recently about the reduction in the corporate tax rate from 52 per cent to 47 per cent, which was scheduled to go into effect "automatically" on April 1st. It seems generally assumed that the corporations, having bene-



#### HOW CAN WE ACCOUNT FOR CAPITAL EXHAUSTION? (Company with 100% Common Stock)

	<i>Present Accounting Conventions (Mill.)</i>	<i>Corrected Accounting Conventions (Mill.)</i>
Revenue .....	\$100	\$100
Expenses (Including Taxes) .....	70	70
Depreciation (Original Cost Basis) .....	10	10
Adjustment Due to Change in Value of Dollar .....	—	4
Net Income .....	\$20	\$16
Dividends .....	13	13
Pay-out Ratio .....	65%	81%
Market Value of Stock (10,000,000 Shares) .....	\$320	\$320?
Price-earnings Ratio .....	16	20?
Common Equity (Stated Value) .....	\$200	\$200
Capital Adjustment (Restricted Surplus) .....	—	4
Earnings Retained (Beginning of Year) .....	70	70
Increment during Year .....	7	3
Total Equity .....	\$277	\$277



## PUBLIC UTILITIES FORTNIGHTLY

fited by the elimination of EPT January 1st, must now be satisfied with this irregularly distributed reward—not only because of the unbalanced budget but due to the political desirability of giving direct relief to voters (in an election year) by reducing excise taxes, lowering the tax on dividend income, and perhaps raising personal exemptions by \$100.

**H**OWEVER, Will Stanley, utility financial consultant and former vice president of Southwestern Public Service Company, contends that corporations are clearly en-

titled to some reduction of the 37 per cent increase in corporate taxation which followed the outbreak of hostilities in Korea (the rate being increased from 38 per cent to 52 per cent, plus EPT in some cases). This burden has been particularly heavy for utilities, which have had to seek compensatory rate increases to check the declining trend of operating income in relation to plant investment.

Mr. Stanley points out that "of all the various forms of federal taxation the income tax on corporations is the only tax where the evidence is highly persuasive



### MARCH UTILITY FINANCING

*Principal Public Offerings of Electric and Gas Utility Securities*

Date	Amount	Description	Price To Public	Underwriting Spread	Offering Yield	Moody Rating	Indicated Success Of Offering
<i>Mortgage Bonds and Debentures</i>							
3/2	\$30.0	Houston L. & P. 1st 3s 1989 .....	102.19	.66C	2.90%	Aa	d
3/2	20.0	Southern Nat. Gas 1st 3½s 1974 ....	100.00	.52C	3.13	A	a
3/4	4.0	Suburban Elec. 1st 3½s 1984 .....	102.46	.66C	3.00	Aa	d
3/10	10.0	Calif.-Oregon Pr. 1st 3½s 1984 .....	102.92	.63C	3.10	A	b
3/17	17.0	Alabama Pr. 1st 3½s 1984 .....	101.47	.70C	3.05	A	b
3/17	5.0	El Paso Elec. 1st 3½s 1984 .....	102.46	.59C	3.00	A	b
3/18	12.0	Penn. Elec. 1st 3½s 1984 .....	101.67	.51C	3.04	A	b
3/24	40.0	Detroit Ed. Ref. 2½s 1984 .....	99.25	.60C	2.91	Aa	d
3/24	17.0	Texas East. Trans. Deb. 4½s 1974 ...	100.00	1.00N	4.38	Aa	a
3/25	10.0	Laclede Gas s.f. Deb. 3½s 1974 .....	101.83	.62C	3.25	Baa	c
3/31	8.0	Pacific P.&L. 1st 3½s 1984 .....	101.80	.71C	3.28	Baa	d
3/31	17.0	San Diego G.&E. 1st 2½s 1984 .....	98.90	.54C	2.93	Aa	b
<i>Preferred Stocks</i>							
3/4	7.0	Long Island Ltg. 4.25% .....	100.00	1.90N	4.25	—	a
3/17	1.5	El Paso Electric \$4.12 .....	101.98	1.58C	4.04	—	d
3/24	7.0	Louisiana P. & L. 4.16% .....	102.21	1.81C	4.07	—	b
3/25	7.0	Dallas P. & L. \$4.00 .....	102.56	1.86C	3.90	—	c
3/25	5.0	Rochester G. & E. 4.10% .....	100.50	1.85N	4.08	—	a
3/30	10.0	Tenn. Gas Trans. s.f. 5.12% .....	100.38	3.00N	5.10	—	a
<i>Common Stocks—Subscription Rights</i>							
3/15	5.8	Wisconsin Public Service .....	18.40	.25N	5.98	8.4	e
3/22	.8	Pennsylvania Gas .....	15.00	—	5.33	5.7	f
3/25	2.9	Southern Indiana G. & E. ....	25.25	.30N	5.94	8.5	f
<i>Common Stocks—Offered to Public</i>							
3/2	8.0	Calif.-Oregon Power .....	26.50	1.15N	6.04	6.6	a
3/2	24.1	Southern California Edison .....	40.25	.80N	4.97	6.6	a
3/17	3.5*	Texas Gas Transmission .....	17.25	.90N	5.80	9.3	a
3/24	7.5	Utah P. & L. ....	37.45	.63C	5.34	7.0	c

\*Not a new issue. a—Reported well received. b—Reported fairly well received. c—Reported issue sold somewhat slowly. d—Reported issue sold slowly. e—Ninety-seven per cent subscribed, 95 per cent by stockholders and the balance by employees. f—Results not yet available. C—Competitive bidding. N—Negotiated underwriting. Source of data—Irving Trust Company.

## FINANCIAL NEWS AND COMMENT

that a reduction in the tax rate should not materially reduce Treasury tax receipts. Also it appears that such a reduction in rate would be of practically universal benefit, as it should tend to reduce the taxes of every individual and business, to improve business generally by increasing business activity, to reduce the cost of living, and to increase wages."

THIS conclusion is supported by the fact that there are really three interlocking taxes, all based on the same original dollar of corporate income—(1) the direct 52 per cent tax, (2) the tax on corporate dividends levied on stockholders, and (3) the tax on capital gains resulting from the sale of corporate securities. A reduction of the 52 per cent corporate tax rate will increase earnings available for dividends, which will increase dividend payments, and this in turn will increase market values and promote capital gains tax payments. Even though stockholders will probably not get the full benefit of the increase in income, the remaining portion of earnings may be applied to reducing the prices of the products which the corporation sells, while another portion may be used to increase wages. The price reductions would stimulate the business and thus increase corporate earnings and taxes, as well as excise taxes in some cases. As to the wage increases, the government

would recover about one-quarter of the increase in personal income taxes.

Mr. Stanley concludes, "doesn't all of the foregoing add up to the fact that because of its unique impact upon our economy and the possibility of widespread advantages to all types of our citizens, a reduction in the corporate tax rate merits serious consideration at this time?"

WE do not have space to detail all of his statistical analysis, but the accompanying table summarizes his conclusions. In addition to the 92 cents of each lost tax dollar which he estimates could be promptly recovered by the Treasury Department, Mr. Stanley also thinks there will be an even larger ultimate recovery due to additional capital gains taxes which may be realized when stocks are sold in subsequent years. At present rates he thinks this should create a substantial ultimate profit to the Treasury.

The table below assumes that one-third of the tax reduction is devoted equally to price reductions and wage increases; that two-thirds of the remainder is paid out in additional dividends; and that the dividend increase is capitalized at 6 per cent to enhance the market value of the stock, with 12 per cent of the latter realized annually (the 1953 turnover ratio on all shares listed on the New York Stock Exchange).



### HOW THE TREASURY CAN SALVAGE A LOSS OF \$1 IN CORPORATE INCOME TAXES

1. Higher taxes on earnings of business created by price reductions .....	7¢
2. Larger individual income taxes, resulting from wage increases .....	4
3. Tax on extra dividends received by stockholders .....	15
4. Capital gains taxes resulting from higher corporate earnings, dividends, and stock prices .....	22
5. Personal income taxes and excise taxes on two-thirds of untaxed portion of (a) increased net income received from larger dividends and (b) realized capital gains .....	27
6. Income tax on increased business resulting from investment of remaining one-third of amount mentioned in (5) .....	10
7. Income tax on increased business from investment by corporations of one-third of additional income not distributed in dividends would yield .....	7
Total immediate annual recovery .....	92¢

# PUBLIC UTILITIES FORTNIGHTLY

## ANALYSIS OF FIRST QUARTER UTILITY FINANCING (Millions of Dollars)

	January 1 to March 31, 1954				January 1 to March 31, 1953			
	Total	Electric	Gas	Tel. & Tel.	Total*	Electric	Gas	Tel. & Tel.
Long-term Debt								
Offered Publicly	\$480	\$348	\$133	—	\$233	\$202	\$ 32	—
Offered by Subscription	45	45	—	—	—	—	—	—
Offered Privately	65	37	20	\$ 7	142	88	44	\$ 6
Total	\$590	\$430	\$153	\$ 7	\$375	\$290	\$ 76	\$ 6
Preferred Stock								
Offered Publicly	\$ 65	\$ 46	\$ 10	\$ 9	\$ 92	\$ 62	\$ 30	\$—
Offered by Subscription	—	—	—	—	8	8	—	—
Offered Privately	13	13	—	—	21	18	3	—
Total	\$ 78	\$ 59	\$ 10	\$ 9	\$121	\$ 88	\$ 33	\$—
Common Stock								
Offered Publicly	\$ 75	\$ 51	\$ 3	\$20	\$106	\$ 91	\$—	\$15
Offered by Subscription	80	73	—	6	121	73	34	13
Total	\$155	\$124	\$ 3	\$26	\$227	\$164	\$ 34	\$28
Total Financing	\$823	\$613	\$166	\$42	\$723	\$542	\$143	\$34
Segregation of Financing—by Purpose								
Total Refundings	\$ 54	\$ 47	\$ 7	\$—	\$ 10	\$ 5	\$ 4	\$—
Total Divestments	\$ 11	\$—	\$ 3	\$ 8	\$—	\$—	\$—	\$—
New Money								
Long-term Debt	\$538	\$390	\$146	\$ 3	\$366	\$284	\$ 72	\$ 6
Preferred Stock	71	52	10	8	121	88	33	—
Common Stock	148	125	—	23	226	165	33	28
Total New Money	\$757	\$567	\$156	\$34	\$713	\$537	\$138	\$34
Total Financing	\$822	\$614	\$166	\$42	\$723	\$542	\$142	\$34
Segregation of Financing—by Type								
Competitive Bidding	\$436	\$380	\$ 56	\$—	\$309	\$279	\$ 30	\$—
Negotiated Sales	\$183**	\$ 64	\$ 90	\$28	\$123	\$ 76	\$ 32	\$15
Subscription								
Competitive Bidding	\$ 44	\$ 44	\$—	\$—	\$ 55	\$ 56	\$—	\$—
Negotiated Sales	30	30	—	—	67	26	33	8
No Underwriting	52	45	—	7	6	—	—	5
Total Subscriptions	\$126	\$119	\$—	\$ 7	\$128	\$ 82	\$ 33	\$13
Private Sales	\$ 77	\$550	\$ 20	\$ 7	\$163	\$105	\$ 47	\$ 6
Total Financing	\$822	\$513	\$166	\$42	\$723	\$542	\$142	\$34

\*Includes a small amount for "other utilities."

\*\*Includes \$1,500,000 preferred stock sold without underwriting.

Source—Ebasco Services Incorporated.

## CURRENT YIELD YARDSTICKS

	Recent	1953-54 Range		1952 Range	
		High	Low	High	Low
U. S. Long-term Bonds—Taxable	2.42%	3.15%	2.42%	2.78%	2.56%
Utility Bonds—Aaa	2.87	3.43	2.86	3.08	2.93
Aa	2.93	3.59	2.92	3.11	2.99
A	3.17	3.72	3.14	3.31	3.21
Baa	3.52	3.94	3.50	3.58	3.46
Utility Preferred Stocks—High-grade	3.90	4.45	3.89	4.24	3.94
Medium-grade	4.28	4.87	4.27	4.71	4.33
Electric Utility Common Stocks	4.97	5.72	4.97	5.62	5.07

Latest available Moody indices are used for utility bonds and stocks; Standard & Poor's indices for government bonds.

# FINANCIAL NEWS AND COMMENT

## RECENT FINANCIAL DATA ON GAS UTILITY STOCKS

1953 Rev. (Mill.)		4/6/54 Price About	Divi- dend Rate	Approx. Yield	—Share Earnings*—			Price- Earnings Ratio	Div. Pay- Out	Moody Bond Rating	
					Cur- rent Period	% In- crease	12 Mos. Ended				
Pipelines											
\$ 3	O	Alabama-Tenn. Nat. Gas	13	\$ .60	4.6%	\$1.30	9%	Dec.	10.0	46%	—
12	O	East Tenn. Nat. Gas ....	9	—	—	.62	29	Dec.	14.5	—	Ba
38	S	Mississippi Riv. Fuel ....	40	2.40	6.0	2.57	D28	Dec.	15.6	93	—
48	S	Southern Nat. Gas ....	30	1.40	4.7	2.06	5	Dec.	14.6	68	A
133	O	Tenn. Gas Trans. ....	23	1.40	6.1	1.65	—	Dec.	13.9	85	A
137	O	Texas East. Trans. ....	21	1.00	4.8	1.33	20	Dec.	15.8	75	—
63	O	Texas Gas Trans. ....	18	1.00#	5.6	1.59	42	Dec.	11.3	63	—
59	O	Transcontinental Gas ...	23	1.40	6.1	1.81	46	Dec.	12.7	77	—
Averages .....				5.4%					13.6		
Integrated Companies											
118	S	American Natural Gas ..	43	\$2.00	4.7%	\$3.48	49%	Dec.	12.4	57%	—
18	O	Colorado Interstate Gas .	41	1.25	3.0	1.46	NC	Sept.	—	86	—
232	S	Columbia Gas System ....	14	.90	6.4	.73	D2	Dec.	19.2	123	A
9	O	Commonwealth Gas ....	9	(a)	4.0a	.41	D53	(c)	—	—	—
9	A	Consol. Gas Util. ....	12	.75	6.3	1.12	D7	Oct.	10.7	67	—
191	S	Consol. Nat. Gas ....	60	2.50	4.2	4.11	D2	Dec.	14.6	61	Aaa
107	S	El Paso Nat. Gas ....	38	1.60	4.2	3.01	38	Nov.	12.6	53	—
32	S	Equitable Gas ....	24	1.40	5.8	1.86	2	Dec.	12.9	75	A
10	O	Kansas-Neb. Nat. Gas ..	26	1.20	4.6	1.87	14	Dec.	13.9	64	Baa
72	S	Lone Star Gas ....	27	1.40	5.2	1.50	D3	Dec.	18.0	93	—
20	S	Montana-Dakota Utils. .	21	.90	4.3	.95	22	Dec.	22.1	95	Baa
14	O	Mountain Fuel Supply ..	21	1.00	4.8	1.32	7	Sept.	15.9	76	A
49	A	National Fuel Gas ....	17	1.00	5.9	1.28	—	Sept.	13.3	78	Aa
66	S	Northern Nat. Gas ....	38	1.80	4.7	2.58	10	Dec.	14.7	70	A
32	A	Oklahoma Nat. Gas ....	20	1.20	6.0	.97**	D58	Jan.	20.6	124	—
95	S	Panhandle East. P. L. .	78	2.50#	3.2	4.93	D1	Dec.	15.8	51	A
8	O	Pennsylvania Gas ....	16	.80	5.0	.86	D52	Dec.	18.6	93	—
130	S	Peoples Gas Lt. & Coke .	140	6.00	4.3	9.72	12	Dec.	14.4	62	A
21	O	Southern Union Gas ....	18	.90	5.0	1.18	11	(c)	15.3	76	A
209	S	United Gas Corp. ....	29	1.25	4.3	1.99	40	Dec.	14.6	63	A
Averages .....				4.8%					15.5		
Retail Distributors											
20	A	Alabama Gas ....	19	\$ .80	4.2%	\$1.33	1%	Dec.	14.3	60%	Baa
32	O	Atlanta Gas Light ....	23	1.20	5.2	1.47	D20	Dec.	15.6	82	A
46	S	Brooklyn Union Gas ....	29	1.50	5.2	2.12	18	Dec.	13.7	71	A
28	O	Central Elec. & Gas ....	13	.80	6.2	1.07	14	Nov.	12.1	75	—
10	O	Central Indiana Gas ....	13	.60	4.6	.55	12	Sept.	—	109	A
4	O	Chattanooga Gas ....	4	—	—	.14	D52	Nov.	—	—	—
6	O	Hartford Gas ....	36	2.00	5.6	2.42	17	Dec.	14.9	83	—
14	O	Houston Nat. Gas ....	22	1.00	4.5	2.02	53	July	10.9	50	—
12	O	Indiana Gas & Water ...	26	1.40	5.4	1.94	9	Dec.	13.4	72	A
5	A	Kings Co. Lighting ....	12	.80	6.7	1.11	37	Dec.	10.8	72	Baa
33	S	Laclede Gas ....	11	.60	5.5	.89	D10	Dec.	12.4	67	Baa
27	O	Minneapolis Gas ....	24	1.20	5.0	1.33	17	Dec.	18.0	90	—
11	O	Mississippi Valley Gas ..	19	1.00	5.3	1.53	14	Dec.	12.4	65	—
8	O	Mobile Gas Service ....	17	.90	5.3	1.54	17	Sept.	11.0	58	—
6	O	New Haven Gas Light ..	27	1.60	5.9	1.43	D7	(c)	18.9	112	—
8	O	New Jersey Nat. Gas ...	14	—	—	.57	NC	Dec.	—	—	—
162	S	Pacific Lighting ....	36	2.00	5.6	2.00	D6	Dec.	18.0	100	—
11	O	Portland Gas & Coke ....	23	.90	3.9	1.93	16	Dec.	11.9	47	Baa
8	A	Providence Gas ....	9	.48	5.3	.41	21	Dec.	22.0	117	—
6	O	Seattle Gas ....	21	.80	3.8	1.30	11	Dec.	16.2	62	Ba
7	O	South Jersey Gas ....	19	1.00	5.3	1.34	35	Dec.	14.2	75	Baa
22	S	United Gas Improvement	35	1.80	5.1	2.24**	2	Dec.	15.6	80	A
33	S	Washington Gas Light ..	34	1.80	5.3	1.68	D21	Dec.	20.2	107	Aaa
Averages .....				5.2%					14.8		
Canadian											
18	S	International Utilities ...	30	\$1.40	4.7%	\$1.96	14%	Dec.	15.3	71%	—

# PUBLIC UTILITIES FORTNIGHTLY

## RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER COMPANIES

1953 Rev. (Mill.)			4/6/54 Price About	Divi- dend Rate	Approx. Yield	—Share Earnings*—			Price- Earnings Ratio	Div. Pay- Out	Moody Bond Rating
Communications Companies											
Bell System											
\$4,417	S	Amer. Tel. & Tel. (Cons.)	164	\$9.00	5.5%	\$11.71**	2%	Dec.	14.0	77%	Aa
202	A	Bell Tel. of Canada ....	43	2.00	4.7	2.31	19	Dec.	18.6	87	Baa
34	O	Cin. & Sub. Bell Tel. ....	76	4.50	5.9	5.45	18	Dec.	13.9	83	—
144	A	Mountain States T. & T. ....	110	6.60	6.0	7.08**	4	Dec.	15.5	93	Aa
237	A	New England T. & T. ....	119	8.00	6.7	7.50**	3	Dec.	15.9	107	Aa
579	S	Pacific Tel. & Tel. ....	119	7.00	5.9	7.23	6	Dec.	16.5	97	Aa
74	O	So. New England Tel. ..	36	1.80	5.0	1.87	7	Dec.	19.3	96	—
Averages .....					5.7%	16.2					
Independents											
10	O	Calif. Water & Tel. ....	17	\$1.00	5.9%	\$1.62	76%	Jan.	10.5	62%	—
11	O	Central Telephone .....	16	.90	5.6	1.84**	23	Dec.	8.7	49	—
2	O	Florida Telephone .....	13	.80	6.2	.85	D14	Dec.	15.3	94	—
128	S	General Telephone .....	49	2.60	5.3	4.00	59	Feb.	12.3	65	Ba
5	O	Inter-Mountain Tel. ....	13	.80	6.2	.93	43	Dec.	14.0	86	—
14	S	Peninsular Tel. ....	36	1.80	5.0	2.32	30	Dec.	15.5	78	—
16	O	Rochester Tel. ....	15	.80	5.3	1.23	D2	Dec.	12.2	65	Aa
2	O	Southeastern Tel. ....	13	.80	6.1	1.09	21	Dec.	11.9	73	—
6	O	Southwestern Sts. Tel. ..	18	1.00	5.6	1.72	41	June	10.5	58	—
28	O	Telephone Bond & Share	18	1.00	5.6	1.52	NC	Sept.	11.8	66	—
15	O	United Utilities .....	18	1.12	6.2	1.64	10	Sept.	11.0	68	—
195	S	Western Union Tel. ....	39	3.00	7.6	6.77	243	Dec.	5.8	44	Ba
Averages .....					5.9%	10.9					
Transit Companies											
29	A	Capital Transit .....	13	\$1.60	12.3%	\$1.16	4%	Aug.	11.2	138%	Baa
14	O	Cincinnati Transit .....	4	.75	18.8	1.12	—	(c)	3.6	67	—
9	O	Dallas Ry. & Terminal ..	14	1.40	10.0	2.32	D6	(c)	6.0	60	—
229	S	Greyhound Corp. ....	14	1.00	7.1	1.33	6	June	10.5	75	—
25	O	Los Angeles Transit ....	10	1.00	10.0	1.15	46	(c)	8.7	87	—
31	S	National City Lines .....	17	1.40	8.2	1.86	D3	(c)	9.1	75	—
71	O	Philadelphia Transit ....	5	—	—	Deficit	—	(c)	—	—	Ba
7	O	Rochester Transit .....	3½	.10	2.9	.26	D77	(c)	13.5	38	—
27	O	St. Louis P.S.A. ....	13	1.40	10.0	.91	189	(c)	15.4	154	—
17	S	Twin City R. T. ....	15	1.60	10.0	—	—	(c)	—	—	Ba
24	O	United Transit .....	3½	—	—	.56	33	(c)	6.3	—	—
Averages .....					9.9%	9.4					
Water Companies											
Holding Companies											
32	S	American Water Works .	11	\$ .50	4.5%	\$1.14	43%	Dec.	9.6	44%	—
6	O	New York Water Service	69	.80	1.2	2.37	25	June	29.1	34	—
Operating Companies											
3	O	Bridgeport Hydraulic ...	30	1.60	5.3	1.57	D3	Dec.	19.1	102	—
11	O	Calif. Water Service ...	37	2.20	5.9	2.82	40	Feb.	13.1	78	A
7	S	Hackensack Water .....	38	1.70	4.5	3.53	46	Dec.	10.8	48	Aa
4	O	Jamaica Water Supply ..	32	1.80	5.6	2.83	D4	Dec.	11.3	64	A
3	O	New Haven Water .....	58	3.00	5.2	2.50	D10	Dec.	23.2	120	—
6	O	Phila. & Sub. Water ....	44	1.00	2.3	4.69	—	(c)	9.4	21	—
9	O	Scranton-Springbrook ..	16	.90	5.6	1.17	D4	Sept.	13.7	77	A
3	O	Southern Calif. Water ..	12	.65	5.4	.90	36	Dec.	13.3	72	A
3	O	West Va. Water Service	42	1.40	3.3	1.60**	30	Dec.	—	88	—
Averages .....					5.0%	14.7					

A—American Stock Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. D—Decrease. \*Earnings are calculated on present number of shares outstanding, except as otherwise indicated. \*\*On average shares outstanding. #—Includes stock dividend. (a)—Paid 4 per cent stock dividend. NC—Not comparable. (c)—Year, 1952.





## What Others Think

### House Committee Criticizes Interior Policies

**T**HE House Appropriations Committee does not like the way the Interior Department is administering its power policies. The committee expressed its dissatisfaction in a sharply worded report accompanying its recommendations for new funds for Interior activities in fiscal 1955. The House finally approved some \$364,300,000 in appropriations for Interior in the coming fiscal year, almost \$58,000,000 below the figure recommended by President Eisenhower's budget.

In defending its reductions in the administration's budget requests, the House committee said the lower figures "are dictated in large measure by the urgent need for conserving dollars to improve the present federal government fiscal position. The reductions made by the committee are aimed principally at activities where cuts can be absorbed by more efficient operation, where private enterprise or local interests can perform the function, or where delay will not jeopardize achievement of the ultimate objective." It severely criticized the department for attempting to justify projects that cannot be justified, failure to wind up projects and turn them over to their users for operation, a tendency to "overdesign" facilities, spending too much out of construction funds for personal services, and

failure to adhere strictly to § V of the Flood Control Act requiring FPC approval of power rates. The report stated:

In a number of instances power rates have been established and put into effect in past years without review by the Federal Power Commission. . . .

There can be no doubt that the appropriations are available only in accordance with the expressed terms of § V [of the Flood Control Act] and there can be no doubt that § V specifically and directly requires the approval of rates by the Federal Power Commission. The Department of the Interior has in the past ignored this provision of the law and made the most flimsy explanation of their reasons for having done so. The committee desires to point out that in the future it will regard any expenditure of appropriations on any other basis than strict compliance with § V, wherever it is applicable, as illegal expenditures. It should be clear that the department cannot expend funds from appropriations in connection with the operation and maintenance of power transmission facilities or marketing electric power and energy under any contract, the rates in which should have been

## PUBLIC UTILITIES FORTNIGHTLY

approved by the Federal Power Commission and have not been.

THE House committee said it has been concerned for a number of years about the activities carried on by the Bureau of Reclamation under its project feasibility investigation program. According to the committee report, the bureau has given the impression that its activities under this program "are scattered in all directions in an effort to investigate every conceivable possibility for a project, and in many instances to go back to once abandoned projects in an effort to bring them into the realm of feasibility." The committee found that the bureau's program for fiscal 1955 was no exception, and noted that it contains a number of studies for development of projects which are predominantly municipal water supply and others that are primarily power developments. The report warned:

... While the committee and the Congress have been liberal in providing funds for such projects where they are clearly justified, and do not duplicate existing facilities, taxpayer dollars will not be recommended for use where private or public utilities, or REA co-operatives have expressed a willingness to provide the service needed.

The bureau was accused of ignoring provisions in appropriation bills requiring states and municipalities or other interests to pay half the cost of investigations. With respect to the bureau's program for rehabilitation of existing projects, the committee expressed its opinion that once a project has been completed and turned over to water users for operation, the bureau should be willing to accept the fact that the beneficiaries can and should take the responsibility for care of their own projects.

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THE report noted that the Bureau of Reclamation spends over one-fourth of its construction and rehabilitation appropriations for personal services, almost double the percentage allowed for engineering and supervision services in large-scale engineering and construction activities of private enterprise. A \$24,000,000 limitation on the amount that may be spent for such personal services was accordingly placed in the 1955 appropriations bill. The report continued:

Since water and power users are required to absorb a very large portion of personal services costs, it is neither fair nor good business practice to impose unnecessary engineering and supervision costs on their shoulders for any federally financed project. There has been considerable criticism of the bureau in the past brought about by overstaffing and an excessive number of field offices at all organizational levels. It is hoped that the beneficiaries of reclamation projects will recognize that the committee's effort to hold down personal services costs is in their interest.

In reducing the bureau's requests for operation and maintenance funds by \$4,154,000, the committee commented as follows:

Reluctance on the part of the bureau to finally wind up a project and turn it over to the water users for operation is still very much in evidence. It is also apparent that a number of the water-user organizations have not been overly aggressive in their demands that projects be turned over to them, so long as it appears that the bureau can obtain funds for operation and maintenance. The committee has for some time tried to generate some energy in the bureau to get completed projects and units of projects turned over to the water users

## WHAT OTHERS THINK

as is originally contemplated when irrigation projects are undertaken. The apparent inertia of the bureau in this matter leaves the committee with no alternative but to force the issue by curtailing the operation and maintenance funds requested for appropriation.

The committee noted that a positive effort to turn over irrigation projects wherever possible, plus improved efficiency in the use of bureau personnel on power facilities, should permit continuation of an adequate operation and maintenance program within the funds allowed in the bill.

### Nelsen Defends REA Loan Program and Policies

REA electric loans during the present fiscal year will exceed original estimates by from \$15,000,000 to \$30,000,000, according to testimony given by REA Administrator Ancher Nelsen to the Agricultural Subcommittee of the House Appropriations Committee. "The applications and the present lending rate indicate that we might loan as much as \$150,000,000 to \$165,000,000 this year," Nelsen said. "If we do make this many loans it will probably be necessary to draw most or all of the contingency." The "contingency" is a fund provided by Congress for use in case the regular loan authorization should be insufficient to meet loan needs. The Appropriations Committee has recommended an additional \$45,000,000 for REA electric loans above the \$130,000,000 requested in the President's budget.

Bearing out the forecast of a big year in electric loans, REA's loan total for March, 1954, was the highest for any single month in the last two fiscal years. During March REA approved 37 loans for a total of \$29,540,000, including \$12,135,850 for generation and transmission. Throughout the appropriations testimony, witnesses representing the Department of Agriculture and REA made plain their intention to conduct a rural electric and telephone program that abundantly meets rural needs. The department's solicitor, R. L. Farrington, pledged the department to "meet the continuing need of loan funds for improvement of rural systems, such as

heavying up lines, and for construction of additional generation and transmission capacity where necessary to provide more power to farmers."

QUESTIONED closely concerning REA policies on G-T loans, Deputy REA Administrator Strong said:

To the extent that generation loans will enable co-operatives to produce power at lower cost than it can be obtained from any other source, public or private, then we will make those generation loans.

Strong added that the policies of the REA "will be continuously to work for the lowest possible cost of power and reductions wherever that is possible." He denied allegations that REA had been "directed" to reduce loans. "I know of no instruction that has been given to us either to Mr. Nelsen or through Mr. Nelsen to me nor from me to anybody on the REA staff to hold down loans that were necessary. Our sole guides in the processing of loan applications have been those which have been on the books of REA for years. Is it necessary? Does it provide electricity for rural areas at a lower cost than can otherwise be had? And is it feasible? Those have been the guide lines. Those are still the guide lines. No loan to my specific knowledge has been held up for any reason except failure to comply with the guide lines that I have just set

## PUBLIC UTILITIES FORTNIGHTLY

forth. We have at no time received any instructions to hold down on the loan program. We have been told, on the other hand, by Mr. Nelsen to proceed with what loans are necessary to meet the needs as I have outlined them . . ."

ADMINISTRATOR Nelsen also dealt with REA's telephone loans in his testimony before the committee. He pointed out that REA, during the present fiscal year, will probably lend about \$74,000,000 or about two-thirds as much as total telephone loans back to the start of the program in 1950. A loan program of \$75,000,000 for fiscal 1955 is included in the administration budget. It was pointed out that there are definite difficulties in conducting an annual telephone loan program larger than the amounts indicated. One problem is the capacity of the industry to produce central office equipment. The other is the shortage of technical personnel experienced in telephone work in government and industry.

Nelsen has been spending a great part of his time speaking to electric co-operative groups throughout the country in an effort to reassure the co-ops that they have nothing to fear about the future of the REA loan program. In an address to the eighteenth annual meeting of the Wisconsin Electric Co-operative, he announced that REA had approved a \$9,600,000 G-T loan for the Dairyland Power Co-operative. The money will be used to construct a 50,000-kilowatt steam-generating plant at Alma, Wisconsin.

Nelsen's assertion that the President and Congress are behind REA's program to meet co-op needs was in sharp contrast with the remarks of Clyde Ellis, executive manager of the National Rural Electric Co-operative Association. Ellis charged

that REA's generation and transmission program had been effectively killed by a cut in loan funds and that there is a "conspiracy" to destroy the federal power program.

NELSEN pointed out in reply that in his ten months as Administrator he had approved \$136,000,000 in REA loans to electric co-ops—a larger amount than that granted in the previous ten months under a Democratic Administrator. He also noted that the REA loan total had come down from \$449,000,000 in 1949 to \$164,000,000 in 1953.

"It means in plain horse sense that we have built our plant and now we are going to maintain it," he declared. "I'm sorry I have to defend our position by telling you how much we have spent. It's ridiculous to tell you how much is spent. I'd rather tell you how well it's spent."

The REA Administrator said that in his program he was attempting to approach the problem of REA intelligently, with full regard for the financial stability of the nation. "One of the biggest problems I have is the parade of professional political party peddlers," he complained. "I'm suspicious of the liberal dispensers of gracious words." Nelsen insisted that REA's program is bipartisan and above politics. He urged electric co-operative members to keep their program nonpolitical.

Speaking at a meeting of the Louisiana Electric Co-operatives, Inc., he declared that "there is no place in the REA program for partisan politics. Politics should not be intermingled with the administration of a co-operative. As sure as politics get into a co-operative, you are bound to run into trouble."

—F. M.

# The March of Events



## Federal Dams

**T**HE presiding examiner of the Hell's Canyon dam hearing recently ordered advocates of a high federal dam to supply participating counsel with copies of exhibits and testimony summaries a week before hearings resume on May 10th.

The order was sent to attorneys for the National Hells Canyon Association, Inc., at Portland, Oregon. A similar order was served on the staff counsel of the Federal Power Commission, which is conducting the hearing.

The Portland firm opposes the application of the Idaho Power Company for FPC authority to construct three low

dams in the Hell's Canyon region of the Snake river.

## Committee Approves Appropriations

**T**HE House Rules Committee recently approved for House action a bill authorizing additional appropriations of \$16,000,000 for The Dalles dam on the Columbia river.

Representative Russell V. Mack (Republican, Washington), Public Works Committee member handling the bill, said the money is necessary to prevent a year's delay in power production at the dam. The delay would cost the government \$11,800,000 in power revenues, he said.

## Alabama

### Asks Gas Rate Boost

**B**IRMINGHAM customers of Alabama Gas Corporation will pay more for their first 700 cubic feet of gas used each month, but less for amounts greater than that if a corporation rate boost request is granted. The request was filed with the state public service commission early this month.

Alabama Gas asked for \$900,000 in additional revenues to meet increased cost

of labor, material, taxes, and services.

The seven existing schedules for various classes of service would be consolidated into six.

A company spokesman said the new rates would "equalize" rates throughout the corporation's territory, which includes 192,000 customers in Birmingham, Tuscaloosa, Anniston, Selma, Gadsden, Talladega, Auburn, Opelika, and surrounding territories.



## PUBLIC UTILITIES FORTNIGHTLY

### Colorado

#### Fund Appropriated to Fight Rate Move

**A**N ordinance appropriating \$33,600 to help finance opposition to a proposed power rate increase by the Public Service Company was approved early this month.

The appropriation is the city's share of a \$40,000 "war chest" being subscribed by cities affiliated with the Colorado Municipal League to present a case against the power rate boost application before the state public utilities commission.

### Massachusetts

#### MTA Fares Increased

**G**REATER Boston's 2,000,000 daily Metropolitan Transit Authority patrons must now buy a minimum of five tokens for 90 cents. Without a token, the cash fare for a through ride will be 20 cents. Children's fare remains at 5 cents.

The increase in fares was announced by the MTA trustees after the state public utilities commission unanimously approved the petition, following three hours' consideration.

Chairman David M. Brackman of the state public utilities commission said that there was no need for another public hearing, not only because the law did not require it, but because the commission members had obtained all available information at the recent public meeting, when his commission unanimously rejected a cash

hike from 10 to 20 cents on local lines and from 15 to 20 cents on transit lines, with three tokens for 50 cents.

The new fare schedule is expected to give the MTA a profit of \$259,636 for a full year.

#### People's Counsel Measure Killed

**A** BILL proposing the establishment of a \$10,000-a-year people's counsel in the state department of public utilities to oppose rate increase applications was defeated this month by the state house of representatives.

Also killed by the state house was a bill to allow local boards of assessors to set the valuations on telephone company property.

### Michigan

#### Municipal Power Financing Bill

**A** BILL to permit governing bodies of cities to issue revenue bonds for expansion of municipally owned power facilities without a vote of the people was given final passage by the state legislature early this month and sent to the governor for signature.

The measure is an amendment to the

state revenue bond act. It will permit cities under 160,000 population to extend power and light lines through revenue bond issues, rather than requiring them to obtain voters' approval for general obligation bonds.

Some of the 47 cities affected by the bill already have approved close to their limit of general obligation bonds for other building programs.

## THE MARCH OF EVENTS

### Missouri

#### Fare Increase Granted

**T**HE state public service commission this month granted St. Louis Public Service Company a fare increase estimated to yield \$650,000 annually. Approximately \$1,500,000 had been sought by the company in its application filed last September 1st.

The order, approved by three members of the commission, denied the company's proposal for a system of zone fares that would have put 5-cent zones on 12 lines that do not have them now.

While the order retains tokens, contrary to the company's desires, it increases

their cost from the present five for 90 cents to four for 75 cents. This means a rise of three-fourths of a cent for each token.

The regular weekly permit now selling for 65 cents was raised to 75 cents, but rides by permit holders remain at 10 cents. However, if the regular weekly permit is used on an express bus, the holder must pay 15 cents a ride instead of the present 13.

The order was scheduled to become effective April 24th and the new schedule of fares may be put into effect on one day's notice.

### New Mexico

#### Push Utility Control Proposal

**A** NEW MEXICO joint state legislative interim committee on utility regulation hopes to get some proposal for revision of the state's system of regulating public utilities included in the platforms of both major political parties this summer, according to Senator Calvin Horn of Albuquerque, one of the committee members.

Horn made this disclosure after the committee early this month had directed the state legislative council to draft a proposed new state constitutional section on utilities. The proposed constitutional

change, still in the formative stages, would place all utility control directly under the legislature, which presumably would have the power to create a regulatory agency and give it power over rates and services of all utilities.

Electric, water, and gas utilities presently are under the state public service commission, which was set up by the legislature. Telephone, railroads, and trucks are under the state corporation commission, which was established by the state Constitution as a 3-member elected agency.

### Texas

#### Natural Gas Bill Passes Legislature

**A** BILL recommended by Governor Shivers for increased taxes against natural gas was given final passage by the state legislature recently. The measure in-

creases the state tax on production of natural gas from 5.72 to 9 per cent of well-head value, starting next September 1st, to yield an estimated \$14,000,000 a year.

It will decrease to 8 and 7 per cent the permanent rate, in the following two years.



## Progress of Regulation

### Residential Submetering of Gas and Electricity Prohibited

**T**HE New York commission has prohibited residential submetering in the upstate area of New York by gas and electric companies. The practice has been prohibited in New York city since 1951. The commission received many complaints about submetering. These covered such subjects as high bills, incorrect meters, and inability to receive the return of deposits. Frequently the submetering was not conducted by a landlord himself but was farmed out to someone else. Meters were used which would not be approved for use by a public utility.

Residential submetering was being conducted only in the territory of a minute minority of electric and gas customers. Except for housing authorities in four cities, testimony was given only as to the existence of five submetering installations. Two of these were inherently dangerous. In another case, grossly discriminatory rates were being charged.

One submeterer furnishing satisfactory service claimed it should not be penalized simply because others engaged in the same business had failed to meet proper standards.

However, the commission said that it knew of no way under the statute to make a distinction or draw an order permitting service to "good submeterers" and

deny it to "bad submeterers." The potential of evil is inherent in the practice," it said.

#### *Municipal Housing Authorities*

Four municipal housing authorities objected to the prohibition. Their purpose is to furnish housing to low income groups. The usual lease provides for the use of a certain amount of electric current, varying during different periods of the year, the cost of which is included in the rent. A charge is made for additional consumption.

If, however, the tenant uses less than the maximum provided for in his lease, he has no rebate in his rent.

Testimony given by the housing authorities was that in cases where they have not had check meters, or where no charge has been made for the use of electricity beyond the minimum, there has been excessive use by the tenant. The arguments advanced for the continuance of submetering were purely economic: First, they claimed that the project was financed on the basis that the profit from the resale of electricity would be a material factor; and, second, if the cost of electricity to the tenant is included in the rent, either there would be an excessive use by the tenant or there must be a substantial increase in

## PROGRESS OF REGULATION

the rent. No other reason was advanced to justify its continuance.

The commission said that from the tenant's standpoint there existed a situation which it would not permit any utility to continue in its rate schedule. That is a situation where the minimum charge is so high (in this case concealed in the rent) that the prudent user of electricity pays for much more than he would use, and the landlord is fully compensated for any excessive use. It saw no reason for treating housing authorities under a different rule than anyone else.

The housing authorities are served un-

der contracts, although those contracts call for payment under the filed rate of the utility. The commission pointed out that a municipality and a utility are free to enter into such an arrangement if they see fit and that it is only in cases where they are unable to agree that the commission has power to fix rates.

The commission concluded that residential submetering serves no useful purpose and that the practice brings with it certain inherent detriment to the consuming public. *Re Residential Submetering of Gas and Electricity, Case 16066, March 12, 1954.*



## Value of Service Concept Governs Statewide Telephone Rate Distribution

A TELEPHONE rate increase authorized by the Colorado commission (94 PUR NS 33) has been upheld by the Colorado supreme court. The commission had ruled that the Mountain States Telephone & Telegraph Company was entitled to additional revenues which would yield a return of 6.35 per cent. The commission had followed the statewide basis for rate fixing and adopted the value of service concept in establishing rates.

### *Cost of Service Theory*

The city and county of Denver attacked the order on the ground that the cost of service theory as well as the value of service concept should have been considered. In rejecting Denver's argument, the court said:

It is apparent that, as to exact statistical data, definite facts and figures to support the specific rate increases, such evidence cannot be had. No rate expert has suggested any such type of evidence, except only a separated cost-of-service study. The experts differed

on the value of such cost studies. Both the commission and the trial court heard the disputed issue and resolved same for the value of service concept and against the cost concept. Considerable factual evidence of the basis for the rate increases is in the record. To these facts the company's rate experts applied their experienced judgment and ultimate opinions. We cannot say the factual evidence here presented was insufficient to support the commission's order.

Justice Holland dissented on the ground that use of the value of service concept is not the only method of fixing rates but is only one of the two elements, the other being the cost-of-service theory. He did not quarrel with the proposition that a utility is entitled to a fair return, but he believed that any rate increase should be equitably distributed. Deficiency in one group, he said, should not be made up by an overcharge on other groups.

Judge Holland pointed out that it was undisputed that under the value of service concept, approved by the commission, Den-

## PUBLIC UTILITIES FORTNIGHTLY

ver has 44 per cent of the number of telephones in the entire state and that the proposed increase in Denver rates was approximately 52 per cent.

He believed that this discriminatory situation arose from the acceptance of the utility rate engineer's statement to the effect that the more telephones in a city or group, the greater the cost to operate the

individual telephone. This theory, he said, results in a situation in which the larger places must pay for the smaller ones. Judge Holland claimed that a balance between these situations should be supported by facts and not by the convenient striking of balances by the utility. *City and County of Denver v. People ex rel. Colorado Pub. Utilities Commission et al.* 266 P2d 1105.



### Subsidy Mail Pay Based on Airline's Entire Operations

**I**N fixing an air carrier's subsidy mail pay, the Civil Aeronautics Board must consider not only the carrier's need for compensation necessary to carry the mail, but also all other airline revenues, according to the Supreme Court. It so decided in reviewing two separate cases.

An air carrier, in one case, had applied to the Civil Aeronautics Board for subsidy mail pay on its foreign routes. In fixing the rate, the board had refused to offset excess earnings on domestic flights against the carrier's need for subsidy on foreign operations. The court held that the board's decision was not in conformity with the Civil Aeronautics Act. Commenting that the carrier's need for compensation on a single division should be measured by the over-all operation, it said:

The standard is "the need of each such air carrier." The "need" of the carrier is measured by the entirety of its operations, not by the losses of one division or department. The measure of "the need" is an amount of compensation necessary to carry the mail and "together with all other revenue of the air carrier" adequate for maintenance and development. And the act defines "air carrier" as "any citizen of the United States who undertakes . . . to engage in air transportation . . ." § 1(2). Thus the wording of the act pre-

cludes measuring "the need" of the carrier by any other unit than the carrier as an entity.

The board's contention that the development of air transportation and maximum operating efficiency would be better served by setting subsidy rates on a divisional rather than a system basis was rejected. The court thought that the policy governing subsidy rates was for Congress to decide. Congress, in adopting the act, had set a rate formula based on the carrier's need measured by its entire operation. This formula must be adhered to even when a rate is fixed for a single class of service.

#### *Nonutility Revenues*

In the other case, the carrier operated restaurants at airports. The carrier challenged the board's reduction of the mail pay allowance by the profits made from the concessions. Having recently sold a certificated route, the airline also questioned further reduction by the profits it had realized from the sale of tangible assets connected with the route transfer. The court reiterated that the carrier's entire operation should be considered in determining the need for subsidy mail pay. This includes nonflight income from incidental air carrier activity. *Civil Aeronautics Board et al. v. Summerfield et al.* 74 S Ct 347, 350.



## PROGRESS OF REGULATION

### Original Cost Exceeding Purchase Price Excluded

A TELEPHONE company which has acquired facilities formerly owned by the War Assets Administration, according to the Nevada commission, is not entitled to have such property included in its rate base at original cost when the purchase price was far below such cost. Such a company's balance sheet showed original cost at more than \$420,000 while the purchase price was \$15,000.

These facilities had been used, along with PBX equipment rented from another telephone company, to serve the Basic Magnesium plant. Service was supplied to about 75 houses utilized by key personnel of that plant. The company involved

in the proceeding before the commission had purchased the facilities from the Colorado River Commission with the approval of the War Assets Administration at a time when it was operating at a "terrific loss." The commission said:

It would be unfair for the people using the telephone facilities to again be burdened with their share of the original cost of this plant. The taxpayers of the nation, having paid once for the building of the plant, cannot be expected to again pay for the same plant.

*Re Henderson Teleph. Co. CPC 567, I & S Docket 146, December 2, 1953.*



### Damage Claims under Antitrust Act Dismissed

THE United States court of appeals dismissed a power company's (Penn Water) action for damages against another power company (Consolidated) after an agreement under which the companies had been acting for seventeen years had been declared illegal under the Antitrust Act. The damages claimed were for delay in the construction of plant additions and extensions, caused by restrictions in the agreement.

The power company seeking damages brought out that after it had been restrained from commencing construction by the other company's insistence on the agreement, it had sought a declaratory judgment regarding the legality of the agreement and the other company had defended the agreement in that proceeding and continued to insist on its rights.

The court based its decision on the well-established rule that an action cannot be brought by one party to an illegal contract against another where both parties are equally to blame (the doctrine of "*in pari delicto*").

The court rejected Penn Water's claims that the doctrine was no longer the law or that, in any event, Penn Water had "repudiated the agreement and retired from the conspiracy in 1948" and thereby cleansed itself from any wrongdoing. The court ruled that all of Penn Water's damage flows directly from the original injury, the unlawful restraint imposed on and accepted by Penn Water before the repudiation of the agreement for its antitrust character. *Pennsylvania Water & Power Co. v. Consolidated Gas, E. L. & Power Co.* 209 F2d 131.



### Due Process Not Violated by Telephone Discontinuance

A FORMER subscriber contended that a telephone company's action, in dis-

continuing telephone service without notice and hearing, was a violation of the

## PUBLIC UTILITIES FORTNIGHTLY

due process clauses of the state and federal Constitutions. He sought to have the Rhode Island supreme court restore service. The company claimed that he had admitted, after the discontinuance, using the phone for illegal bookmaking and also admitted attaching unauthorized extension cords to his phone in violation of a company regulation.

The court, examining the state constitutional provision, noted that the due process clause was narrower in scope than the federal provision. State due process applied only to those accused of a crime in criminal proceeding. Since this was a civil action for the restoration of telephone service, the issue of state due process could not be raised.

The due process clause in the federal Constitution, commented the court, is a limitation only on state action. Regulations of a telephone company governing

the use of its phones by customers are in the nature of conditions attached to the right of continued service. They could not be considered state action falling within the scope of the federal clause. Neither did the fact that the regulations were filed with the division of public utilities cloak them with the robe of state action.

The court decided that the company could properly discontinue service to a person who had used his phone for bookmaking and violated company regulations. Discontinuance could be effectuated without first giving the user notice of the charge against him and an opportunity to be heard. The customer had the right to appeal to the court for a determination of the reasonableness of the company's action. That, in itself, was a manifestation of due process and an assurance of the right to be heard. *Taglianetti v. New England Teleph. & Teleg. Co.* 103 A2d 67.



### Principles Defined for Passing on Competing Service Proposals

**R**IVAL gas companies (Central West and Gas Service) made application to the Missouri commission for authority to serve the same uncertificated area. Gas Service also sought authority to serve four sections of land included in a certificate which Central West had obtained many years earlier.

The commission resolved the question of the open territory in favor of Gas Service. Central West had previously received a certificate for part of the area. This certificate had expired for failure to exercise the authority contained therein. The reason for such failure and for the commission's subsequent refusal to renew the authority provided the basis for the decision in the instant proceeding. Central West was unable to show that it had available a dependable supply of gas with which

to render the proposed service. On the other hand, Gas Service had an adequate supply and could economically serve 15½ sections of this land adjoining the east side of the present territory.

The four sections of Central's West territory in which Gas Service desired to operate presented a different problem. Gas Service claimed that Central West was serving only a relatively small portion of the territory, but its application was denied because the claim was not considered broad enough to meet the conditions in which an invasion of territory is permitted. The commission stated:

... we will not hesitate to grant identical authority to a utility to serve in the same certificated territory of another utility if the application al-

## PROGRESS OF REGULATION

leges, and the proof shows, that the utility in the area has been unduly and persistently remiss or derelict in discharging the trust which it holds to afford the utility service. . . . We hardly see how anything short of such course should be taken, procedurally, when one utility seeks a certificate to perform the same utility service in the area of another utility whose certificate is outstanding, otherwise due process of law would hardly be met.

Continuing its development of the steps to be taken, the commission observed that if it were established that the existing util-

ity was derelict in discharging its trust, then the commission could either permit competition or cancel the existing certificate and give the new company a monopoly in the area.

The charge brought by Gas Service that Central West was serving a relatively small part of the certificated area in question, the commission said, falls short of the willful dereliction that must be alleged. Any utility holding a blanket authority in a large area not saturated with service could be similarly charged. *Re Central West Utility Co. Case No. 12,354, 12,415, 12,419, February 17, 1954.*



## Other Important Rulings

**Connection Charges.** An agricultural improvement and power district engaged in the sale of electrical energy, held the Arizona supreme court, is not a public service corporation and, therefore, is not prohibited from making connection charges for electricity. *Rubenstein Construction Co. v. Salt River Project Agricultural Improv. & Power Dist.* 265 P2d 445.

**Rate Reduction.** The New York commission refused to consider a gas rate reduction merely because a company earning a return of 4 per cent was converting its service to natural gas available at lower cost, and pointed out that only when the conversion was completed and all the costs and capital expenditures determined would the matter of rates be considered. *Re Republic Light, Heat & P. Co. January 14, 1954.*

**Private, Not Contract, Carrier.** A carrier which, after contracting with retail lumber buyers who do not know the source of supply or that the finished lumber will be brought in the carrier's trucks, pur-

chases the lumber at a price low enough to make a profit and then transports it in interstate commerce f.o.b. buyer's yards, is acting as a private and not a contract carrier, held the United States court of appeals. *Taylor v. Interstate Commerce Commission*, 209 F2d 353.

**Gas Company Sale.** The Massachusetts department cited as one of its reasons for approving a gas company's sale of its business and properties to another company, which proposed to install a liquefied petroleum plant, the fact that the combined use of bottled gas with distribution through mains would make full use of the company's investment and eventually benefit the users of gas throughout the area. *Re Athol Gas Co. et al. DPU 10808, 10809, 10834, March 1, 1954.*

**Train Discontinuance.** The New Jersey board, in denying in part a railroad's application to discontinue several passenger trains, pointed out that mere failure to earn a proper return on a line which is part of a system is not sufficient grounds for discontinuance of the line. *Re Penn-*

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*sylvania R. Co. Docket No. 7489, February 24, 1954.*

*Airline Certificate Amended.* A foreign air carrier permit should be amended in the public interest to include certain co-terminals, held the Civil Aeronautics Board, where the airline is fit, willing, and able to perform the transportation and conform to the rules and regulations of the board. *Re British Overseas Airways Corp. E-8153, Docket No. 6430, February 18, 1954.*

*Stock Reclassification.* The Massachusetts Department of Public Utilities denied a gas company's request for au-

thority to change the par value of its stock, notwithstanding the fact that the reclassification appeared to be in the public interest, where the first step toward reclassification, the amendment of the certificate of incorporation, had not been accomplished at the time of the application. *Re Pittsfield Coal Gas Co. DPU 10823, March 11, 1954.*

*Airline Merger.* The Civil Aeronautics Board refused to approve a merger agreement between two airlines where one of the companies had acquired control of the other's assets prior to the board's action. *Re Colonial Airlines, E-8136, Docket No. 5666, February 27, 1954.*

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RE MANUFACTURERS LIGHT & HEAT CO.

WEST VIRGINIA PUBLIC SERVICE COMMISSION

Re Manufacturers Light & Heat  
Company

Case Nos. 3948, 3949  
January 8, 1954

**A**PPPLICATION by gas company for authority to increase rates; modified increase granted.

*Depreciation, § 23 — Multistate operation — System-wide basis.*

1. The state commission will not accept depreciation figures submitted by a gas company operating in three states, which have been allocated on a system-wide basis, where most of the property in the state is fully depreciated and the property in the other states is relatively new, p. 100.

*Apportionment, § 12 — Gas company — Depreciation on intrastate property.*

2. Depreciation on property used and useful in the state should be borne by the state customers, when a company operates in three states, and depreciation should not be allocated on a system-wide basis, p. 100.

*Apportionment, § 31 — Operating costs — Allocation by gas company.*

3. The commission will not accept allocated operating costs and expenses of a natural gas company conducting a 3-state operation unless the company shows in an uncontradicted manner that the method of allocation accurately reflects the costs of operation allocated to the state, p. 102.

*Rates, § 171 — Uniformity — Territorial divisions.*

4. Only one uniform rate schedule should be placed in effect where a gas company's customers, terrain, and territory are similar, p. 103.

*Rates, § 386 — Gas — Heavy base loads — Block charges.*

5. Heavy base loads of gas consumed by industrial customers should be provided for in lower block charges rather than separate rate schedules, p. 104.

*Rates, § 146 — Increased costs — Inaccurate accounts.*

6. A rate increase should be granted to a gas company, conducting a 3-state operation, when necessary to cover increased labor and gas costs, notwithstanding the use by the company of accounting methods that do not accurately set forth the cost of service to the state customers, p. 105.

(ANDERSON, Commissioner, dissents.)

**APPEARANCES:** William Anderson, Pittsburgh, Pennsylvania, Frank A. O'Brien, Wheeling, A. M. Calland, Columbus, Ohio, R. A. Rosan, New York city, New York, and Vincent V. Chaney, Charleston, for the respondent; Charles P. Mead, Wheeling, for the city of New Martinsville and the city of Wheeling, protestants; Wright Hugus and Harry Hesse,



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Wheeling, for the Wheeling Steel Corporation, protestant; Robert G. Kelly and William M. Drennen, Charleston, for the Weirton Steel Company and Wheeling Steel Company, protestants; Charles F. Paul, Wheeling, for the Continental Foundry and Machine Company and Fostoria Glass Company, protestants; Thomas W. Moses and Sherman Rock, Pittsburgh, Pennsylvania, for Homer Laughlin China Company, Edwin M. Knowles China Company, Taylor, Smith and Taylor Company, Harker Pottery Company, New Castle Refractories, T-K Roofing Company, Globe Brick Company, and Follansbee Steel Corporation, protestants; Robert J. Riley, Benwood, for the city of Benwood, protestant; William D. Sutton, Pittsburgh, Pennsylvania, for the Weirton Steel Company, protestant.

HANNA, Chairman: This proceeding is before the commission upon the propriety and reasonableness of rates and charges stated by the respondent herein, The Manufacturers Light and Heat Company, a corporation, in the revised schedules designated the First Revisions of Original Sheets Nos. 17, 18, and 19, canceling Original Sheets Nos. 17, 18, and 19, respectively, to its Tariff P.S.C. W. Va. No. 1 stating an over-all increase of 17.5 per cent in its rates and charges for furnishing natural gas service to its industrial customers in the state of West Virginia, and the revised sheets filed by the respondent to its Tariff P.S.C. W. Va. No. 1 which set out schedules stating increased rates and charges for furnishing natural gas service to its customers in West Virginia other than for industrial use.

2 PUR 3d

At the hearing held herein the respondent moved that the revised schedules filed in the proceeding designated Case No. 3948, which set forth proposed increases in its rates and charges for furnishing natural gas service to its industrial customers in the state of West Virginia, and the revised sheets filed by the respondent to its Tariff P.S.C. W. Va. No. 1 designated Case No. 3949, which set out schedules stating increased rates and charges for furnishing natural gas service to its customers in West Virginia for other than industrial use, be consolidated and considered as one proceeding and, accordingly, that is hereby done.

Similar schedules were originally filed by the respondent on May 5, 1953, to become effective June 5, 1953, and were assigned Case Nos. 3922 and 3924, and were suspended by order of the commission and set for hearing on June 12, 1953. On June 1, 1953, the respondent filed a petition for permission to withdraw in each of these proceedings requesting that the revisions of the original sheets filed be withdrawn and that the proceedings be discontinued without prejudice to similar filings being made at a later date. In the petitions to withdraw, it was specifically alleged by the respondent that the reason for the withdrawals was to permit a subsequent filing which would enable the respondent to take advantage of the recent amendment to Chap 24, Art 2, § 4, of the West Virginia Code, enacted by the recent session of the legislature which restricted the time in which the commission may suspend the proposed rates of any public utility to not

## RE MANUFACTURERS LIGHT & HEAT CO.

more than 120 days beyond the time when such rates would otherwise go into effect. Accordingly, the commission entered an order on June 4, 1953, canceling revised schedules filed and discontinued the above proceedings.

These revised schedules were suspended and The Manufacturers Light and Heat Company was made respondent in this proceeding. Hearings were held on July 28 and 29, October 5, 14, 15, 28 and 29, 1953, as to the reasonableness of the rates and charges stated in the revised schedules. At the conclusion of the hearings the parties of record waived the right to file briefs and the matter was submitted for consideration and decision by the commission.

The respondent, by letter dated November 6, 1953, advised the commission that it intended to put into effect and collect, pending final decision, the proposed rates and charges stated in Case Nos. 3948 and 3949, on November 9 and 10, 1953, respectively, pursuant to the provisions of Chap 24, Art 2, § 4, of the West Virginia Code as amended, above referred to. In accordance with the provisions of the above referred-to statute this commission did, by order dated November 13, 1953, require the respondent to enter into a bond in the amount of \$250,000, said bond conditioned for refund to the persons or parties entitled thereto if such rates so put into effect by the respondent were subsequently determined to be higher than those rates finally fixed. A copy of this bond was accordingly filed with the secretary of the commission and at the present time the proposed rates and charges as filed are in effect in the territory

served by the respondent in West Virginia.

The respondent is engaged in the business of producing, purchasing, storing, transporting, distributing, and selling natural gas at wholesale and retail in the states of West Virginia, Ohio, and Pennsylvania. It is one of the Pittsburgh group companies of the Columbia Gas System, and the other companies in the Pittsburgh group are the Natural Gas Company of West Virginia, Cumberland and Allegheny Gas Company, Home Gas Company, The Keystone Gas Company, Inc., and Binghamton Gas Works. It was the contention of the respondent throughout the hearings that its operations in the 3-state area are completely integrated and an actual separation or segregation of its property used and useful to serve its customers in West Virginia is not possible and, accordingly, all of the property, including the distribution system, was allocated according to the method prepared by the staff of the respondent. The entire operations of the respondent in West Virginia are in respondent's District No. 4, which also includes certain areas of Ohio and Pennsylvania. All of this is more clearly illustrated by an examination of respondent's Exhibit No. 9.

It should be pointed out that Chap 24, Art 2, § 2, gives the commission the power to investigate all rates, methods, and practices of public utilities in West Virginia, and to require them to conform to all rules and regulations and orders of the commission not contrary to law. This section further provides that the commission may change any intrastate rate, toll, or charge which is unjust or unrea-

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sonable and provides that the commission may prescribe a just and reasonable rate, toll, or charge. This section specifically states "*[b]ut in no case shall the rate, toll, or charge be more than the service is reasonably worth considering the cost thereof.*" Through the fast growth of the gas business of the respondent its system has expanded recently more in the states of Ohio and Pennsylvania than in West Virginia. However, the number of customers has increased greatly in the state of West Virginia, but this growth has been primarily in the territory the respondent has always held itself out to serve. This is the distinguishing feature of the growth of the respondent in West Virginia in comparison to the states of Pennsylvania and Ohio.

[1, 2] The record in this proceeding discloses that much of the plant of the respondent in West Virginia was placed into service in the early 1900's or prior thereto and, accordingly, is fully depreciated or practically so. However, in the allocation methods propounded by the respondent no consideration is given to this existing situation since the depreciation rates are based on a system-wide basis. In view of this situation, if the allocations propounded by the respondent were accepted by the commission, the effect would be that the West Virginia customers are paying for the depreciation in the relatively new plant placed in service in the states of Ohio and Pennsylvania. It is true that replacements of much of the West Virginia property is presently being done and will have to be done more so in the future, however, it is the commission's opinion that the depreciation on

the property used and useful in West Virginia is a responsibility to be borne by the West Virginia customer only and not on an over-all allocation basis for the 3-state operation. Considering the above-quoted and underscored statute, and in view of the past decisions of this commission, it has been the policy of this commission that the best figures for determining the cost of rendering service to the West Virginia customers is the actual cost incurred by any utility serving customers in the state of West Virginia.

In Case No. 3580, which was upon the joint application of Natural Gas Company of West Virginia, a corporation, and The Manufacturers Light and Heat Company, a corporation, for the commission's consent to and approval of the sale and transfer by Natural Gas Company of West Virginia of all of its property located in the states of West Virginia and Pennsylvania, used and useful in the production, purchase, transportation, and distribution of natural gas to the public, to The Manufacturers Light and Heat Company, which consent and approval was granted by the commission by order dated December 11, 1950, 38 Ann Rep W Va PSC 65, subject to the following conditions:

"4. In the event it should hereafter become necessary, in the commission's opinion, in any proceeding involving the reasonableness of The Manufacturers Light and Heat Company's rates, service and practices, that the commission determine the proper amount of operating expenses applicable to its West Virginia business, said company shall furnish all data concerning such expenses and the allocation

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thereof as the commission may require.

"5. The Manufacturers Light and Heat Company shall keep its books and other account records so as to show at all times its property and the cost thereof located in West Virginia, and its property and the cost thereof located outside of West Virginia, and shall furnish to the commission, as a part of its annual report and in the form to be prescribed by the commission, a statement showing its property and the cost thereof and its revenues and expenses in West Virginia and elsewhere, and said company's allocation thereof to its West Virginia business and the basis of such allocation."

General Order No. 107-E entered by this commission on December 28, 1951, entitled "In the Matter of Uniform System of Accounts for Manufactured Gas and Natural Gas Utilities, Classes A, B, C, and D," it is stated that—"It is further ordered that any gas utility which operates in this state and which owns plants or operates in any other state shall keep its general books and all subsidiary ledgers and records so as to show all charges and credits applicable to the utility plant and operations in West Virginia." It was the position of the respondent throughout the hearings held herein that it had met the requirements of that General Order No. 107-E. However, it was the intention of the commission by said general order that every utility which operates in this state, and also operates in other states, should keep its books in such a fashion that this commission might know at all times its operations in the state of West Virginia. It is inconceivable to this commission that

any other interpretation could be placed on said order and it is interesting to note that the companies who are subsidiaries of the Columbia Gas System, Inc., are the only companies operating in the state of West Virginia who have abandoned keeping their books in such a fashion that this commission or any other person cannot ascertain by investigation the operations in the state of West Virginia.

It has been necessary in past instances to use allocation of certain properties due to the fast growth of the use of natural gas. In recent years it has been necessary for gas utilities to seek new sources of supply of natural gas. The state of West Virginia is unusual in that it is a great supplier of natural gas, but it is necessary for its own gas production to be supplemented by the production in other states and transported to this state. Certainly, the West Virginia customers must bear their share of the cost of supplementing the supply of gas in West Virginia, but they should not bear more than that actually necessary. Under certain phases of allocation this is a possibility.

It is admitted from the outset that allocation is a theoretical method of ascertaining or assigning cost. Certainly the best method would be the actual cost and operation of the physical plant used and useful to serve the West Virginia customer.

In the hearings held in this proceeding the above-listed protestants retained the firm of Blundon, Snyder, and Small of Keyser, West Virginia, as consultants, and, in addition to its own staff, this commission retained Mr. David Boyd-Smith of the firm of Cyrus G. Hill Engineers of Chi-

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cago, Illinois, to assist it as consultant. Mr. David Boyd-Smith testified that an accurate separation of the property used and useful in the state of West Virginia is possible and that in his opinion such must be done before an accurate rate base is established and the proper rates and charges for gas would then be placed in effect accordingly. The commission's staff over the signature of its chief accountant, A. Byron Carver, stated in the covering letter of their report "while the staffs' report follows the company's methods we do not believe the answer arrived at represents a true approximation of the West Virginia costs, and until the company fulfils the requirements of General Order No. 107-E, any method employed will of a necessity be an estimate." Mr. Thomas C. Committee, a certified public accountant and attorney at law, who was employed by the commission to assist its staff in this proceeding, introduced numerous exhibits and testified that although the time did not permit him to make a thorough study, it was his opinion that the actual cost of service to the West Virginia customer is ascertainable, and the exhibits prepared under his direction, although it was contended there were some errors in his computations, would so indicate. Mr. Committee's testimony was to the effect that such information is ascertainable by a thorough understanding of the respondent's bookkeeping methods and codes which are known only to the respondent. With such testimony in the record, should the commission accept the view and exhibits of the respondent as offered for the record, it would be a drastic step which

this commission feels is beyond the authority granted by the statutes.

[3] This is not to say, however, that the commission would in no instance accept operating costs and expenses which were computed on an allocation basis because, in fact, the commission has accepted such figures prepared in such a manner. However, before such may be accepted this commission believes that it must be proven in an uncontradicted manner that the method of allocation accurately sets out the operation in West Virginia and the costs of operation allocated thereto. The responsibility and the burden of proving this is on the respondent and this commission feels in the instant case the respondent has failed to meet the burden placed on it by law, and when there is reasonable doubt to the commission, such doubts should be resolved in favor of the customer. This is to say that if the evidence proved beyond reasonable doubt that the allocation method propounded by the respondent was as favorable to the West Virginia customer, which is the only customer this commission is concerned with, and the respondent had been authorized by the commission to keep its books and records in a manner different from that provided by General Order No. 107-E, then, in such event, the allocation would be accepted as a substitute for the present method provided for by the rules and regulations of the commission.

There are exhibits and testimony to the effect of the over-all operation of the respondent in the other states in which it operates. The respondent's witness, Mr. Albert B. Lauderbaugh, stressed the over-all picture of the respondent's operations and what action



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other state regulatory bodies had taken. This, of course, was considered by the commission. However, as the respondent well knows, by law, the only jurisdiction and responsibility this commission has is to the West Virginia customer of the respondent and to the respondent operating as a West Virginia public utility. Should this commission accept without question the actions taken by other state regulatory bodies and federal regulatory commissions it would place this commission in the position of being "a rubber stamp" in approving the actions taken by other regulatory bodies. Witness Lauderbaugh consistently referred throughout his testimony to his statements being a matter of "from an operations viewpoint." However, the respondent is certainly aware that where the operational viewpoint and regulation viewpoint operation is incompatible this commission must only be concerned with a regulation viewpoint. Where the methods used and the action taken appears to be reasonable and consistent with the public interest in West Virginia it could certainly be used, but when a public utility changes its method of keeping its books and records and such change is so drastic that this body, which is the only regulatory commission in this state which is empowered to regulate such operations, is unable to tell what the operating picture is in West Virginia, such should be denied. This is not due to any arbitrary action on the part of the commission but, having been the action of the respondent, it must suffer any damaging consequences.

[4] The respondent has filed revised schedules for its industrial cus-

tomers and three different schedules for the rates and charges to be paid by the rest of its customers, depending upon the territory in which they live. It has been one of the objectives of this commission, whenever practical, to establish a uniform rate for all classes of customers where the natural terrain and the territory in which a public utility operates is uniform, and it would appear to the commission that there is no sound basis for different schedules of rates. The respondent itself, by its secretary, C. F. Waterman, at page 114 of the transcript testified that the reason for the different rate schedules established by the respondent is basically historical. If the respondent does not desire uniformity, it is certainly the desire of the commission that it be established. Chapter 24, Art 2, § 2, states: "The commission may change any intrastate rate, charge, or toll which is unjust or unreasonable or any interstate charge with respect to matters of a purely local nature which have not been regulated by or pursuant to act of Congress and may prescribe such rate, charge, or toll as would be just and reasonable, and change or prohibit any practice, device, or method of service in order to prevent undue discrimination or favoritism between persons and between localities and between commodities for a like and contemporaneous service."

It is the opinion of the commission that the customers and localities are similar and, as a consequence, one rate schedule should be placed into effect as hereinafter provided.

The protesting industrial customers offered evidence to show the investment made by them in standby equip-

## WEST VIRGINIA PUBLIC SERVICE COMMISSION

ment for use in the event natural gas service is curtailed or cut off by the respondent. This investment in standby equipment, in many instances, is a sizable amount and yet the industries maintaining such do so to continue their production in a consistent manner. The respondent anticipates having sufficient gas supply available in the not too distant future which will then make such standby equipment unnecessary.

[5] In the winter season of the year 1950, 1951 the industrial customers of the respondent were curtailed a total of thirty-five days from December, 1950, through March, 1951. This curtailment varied from 20 per cent to 100 per cent in any one day. On January 29, 1952, there was a line break in the Wheeling area which necessitated an industrial curtailment of 11,000 Mcf of delivery, and in December 1952, a line break in the same area necessitated a total curtailment of 2,400 Mcf of which 2,100 Mcf was for the industrial load. Thus it is obvious that since 1951 the industrial curtailment has been necessary because of operating conditions and not because of the inadequacies of its gas supply. Any utility service used by the industrial customers might well have to be curtailed under certain circumstances, and, accordingly, the commission believes that it would be an undue discrimination to maintain a separate rate schedule for such customers. The great volume at which the industrial customers purchase gas will be given consideration by carrying their monthly consumption through the various blocks hereinafter provided for. The transmission and distribution system of the respondent

are used by all customers and the only equitable manner to provide for heavy base load of consumption is in a lower block charge.

The respondent has included in its exhibits certain transmission lines and a compressor station, designated Lines TM-3, TM-7, and Carnegie Compressor Station, which were acquired from the United Fuel Gas Company at a cost of \$3,060,150.02, the original cost of the property, less depreciation. The respondent receives gas from the United Fuel Gas Company at the point of beginning of these lines in Gilmer county, and transports this gas to the Carnegie Natural Gas Company lines in Marshall county, West Virginia, from where this same gas is transported through Carnegie's lines to the Pittsburgh area for the respondent.

The total quantity of gas received from the United Fuel Gas Company at the delivery point in Gilmer county and transported through lines TM-3 and TM-7 during the year 1952 amounted to 26,743,929 Mcf, of which 8,686,407 Mcf or 32.48 per cent was delivered by the respondent to the United States Steel Company in the year 1952 for use in its plants in the Pittsburgh area.

The respondent contended throughout the hearings held herein that the sales to United States Steel Company were an intrastate sale and should be treated as such throughout its exhibits. However, the evidence is uncontradicted that the respondent did not pay gross sales tax to the state of West Virginia during the year 1952, although counsel for the respondent alleged that such would be paid in 1953 which is beyond the scope of this proceeding. There is no evidence to the

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effect that the gas transported and sold to the United States Steel Company is used in any part of West Virginia, and the commission believes that this is solely an interstate sale of gas and beyond the jurisdiction of this commission. A copy of the agreement whereby this gas is purchased by the United States Steel Company is available to this commission and this agreement clearly shows that the gas is purchased under the above-stated facts. Even if the respondent had been paying gross sales tax on the gas so transported and sold, this commission would not be bound by such action. The respondent well knows that such is not binding or controlling on a regulatory body such as this commission. Certainly other departments and boards of the state of West Virginia are not bound or influenced by the action and determinations of this commission. However, as will be illustrated later, the effect of eliminating the sales to United States Steel is unimportant in the final conclusion of this proceeding.

The fact of including sales to the United States Steel Company is unimportant to the respondent's operation in West Virginia, as the inclusion of such sales in the rates hereinafter fixed will not in any way adversely affect the respondent's West Virginia customers, and by reason thereof it is agreeable to the commission for the respondent to apply the rates hereinafter fixed to the sales to the United States Steel Company, as it has been doing, although as stated above this commission does not believe that such is an intrastate sale.

[6] From all that has been stated in this report it is apparent that to a ma-

jority of this commission it is not possible to determine with any degree of accuracy the value of the property on which the respondent should be permitted to earn a return or to determine the operating expenses, including depletion, depreciation, and taxes incident to the respondent's operations in West Virginia. The reason for this is that in making the allocations or apportionments of the property between the respondent's business in West Virginia and in other states the respondent failed to prove that such accounting methods accurately set forth the cost of service to its West Virginia customers.

The respondent's approach to this matter is not only contrary to the orders, rules and regulations, and the classification of accounts prescribed by this commission, but to the law of this state pertaining to the changing of rates for public utilities and to the decisions of our supreme court of appeals, particularly *Wheeling v. Natural Gas Co.* (1934) 115 W Va 149, 5 PUR NS 471, 175 SE 339, in which case the major part of the property involved was the same as that involved in this case.

Notwithstanding the failure of the respondent to discharge its obligation in this proceeding, a majority of the commission is of opinion that the respondent is entitled to additional revenue to meet its increased labor costs and the increase in the cost of gas purchased from its suppliers. These costs, applicable to the West Virginia sales only as nearly as can be determined, amount to \$931,252 annually. If the sales to the United States Steel Company are included, as above set forth, the total additional

## WEST VIRGINIA PUBLIC SERVICE COMMISSION

costs allowed to the respondent will amount to approximately \$1,300,000.

An order will be entered in accordance with the conclusions set forth herein.

It is the opinion of a majority of the commission that the respondent can and must keep its accounting records so as to show the cost of the service furnished to its West Virginia customers. The respondent should forthwith keep its accounting records in accordance with the conditions stated in Case No. 3580 (December 11, 1950) 38 Ann Rep W Va PSC 65, hereinbefore set forth in General Order No. 107-E entered by this commission on December 28, 1951.

Commissioner Nethken concurs in this report with the exception of the finding therein that the same rate schedule should be placed in effect for the entire territory served by the respondent in West Virginia. He would place a somewhat higher rate schedule in effect in the Chester-Weirton Zone and Wheeling-Moundsville Zone, and a somewhat lower rate schedule in effect in the New Martinsville Zone.

Commissioner Anderson dissents from this report and would adopt the methods followed by the commission's consultant, Boyd-Smith, and the commission's chief accountant, Carver, in the exhibits sponsored by them; but he concurs in the finding herein that one rate schedule should be placed in effect in the entire territory served by the respondent in West Virginia.

### ORDER

This proceeding came on to be heard this 8th day of January, 1954, upon the revised schedules filed by

2 PUR 3d

the respondent herein, The Manufacturers Light and Heat Company, a corporation, designated the First Revision of Original Sheets Nos. 17, 18, and 19, canceling Original Sheets Nos. 17, 18, and 19 respectively, to its Tariff P.S.C. W.Va. No. 1, stating an over-all increase of 17.5 per cent in its rates and charges for furnishing natural gas service to its industrial customers in the state of West Virginia, and the revised sheets filed by the respondent to its Tariff P.S.C. W.Va. No. 1 which set out schedules stating increased rates and charges for furnishing natural gas service to its customers in West Virginia other than for industrial use, designated by the commission as Case No. 3948 and Case No. 3949, which are hereby consolidated; upon all the evidence taken and exhibits and reports filed herein; upon all the orders made and entered herein; and upon the entire record in this proceeding.

Upon consideration whereof and for the reasons set out in the report of the majority of the commission this day filed and which is made a part hereof, the commission is of opinion and finds that the rates stated in the respondent's aforesaid revised schedules are unjust and unreasonable and should be canceled and stricken from the tariff files of the commission.

Upon like consideration the commission is of opinion and finds that the present rates of the respondent, The Manufacturers Light and Heat Company, a corporation, are not just and reasonable in that from the evidence presented to the commission it would appear that they do not produce sufficient revenue to enable the respondent to pay its increased labor costs and

# RE MANUFACTURERS LIGHT & HEAT CO.

the increase in the cost of gas purchased from its suppliers.

The commission further finds that the respondent should be authorized to put into effect the rates hereinafter set out, which are designed to produce sufficient revenue for the purposes hereinbefore mentioned.

It is, therefore, *ordered* that the respondent's aforesaid revised schedules be, and they hereby are, canceled and stricken from the tariff files of this commission.

It is *further ordered* that the respondent, The Manufacturers Light and Heat Company, a corporation, be, and it hereby is, permitted and authorized to put into effect on January 9, 1954, for all gas furnished on and after said 9th day of January, 1954, as nearly as can be ascertained by meter readings taken on and after said 9th day of January, 1954, in lieu of its present rates and schedules the following schedule of rates:

First	2,000 cubic feet per month	75 cents per Mcf
Next	298,000 cubic feet per month	52 cents per Mcf
Next	4,700,000 cubic feet per month	50 cents per Mcf
Next	5,000,000 cubic feet per month	46 cents per Mcf
Next	10,000,000 cubic feet per month	43 cents per Mcf
Next	180,000,000 cubic feet per month	40 cents per Mcf
All over	200,000,000 cubic feet per month	36 cents per Mcf

Prompt payment discount or delayed payment penalty:  
None.

## Minimum Charge:

The above schedule is subject to a minimum monthly charge of \$1.50 net.

It is *further ordered* that the respondent, within sixty days next following the date of this order, make refunds or credits to the account of all of its customers entitled thereto by reason of their having paid the rates and charges which respondent has had in effect since November 9 and 10, 1953, under bond, said refunds or credits to be based upon an adjustment of respondent's charges from the dates said rates have been in effect under bond, so that the actual charges to the customers will be the same as they would have been if the rates authorized herein had been in effect at all times that the rates under bond have been in effect, and that said refunds or credits shall include interest at 6 per cent upon the amount of the excess thus collected for the period during which the respondent has held said excess as set

forth in the order entered herein on November 13, 1953, provided, however, that any customer may, upon written request, be entitled to receive the refund to which he is entitled by check, rather than by credit to his account.

It is *further ordered* that the respondent within seventy-five days next following the date of this order submit a verified report to the commission certifying that it has fully complied with the conditions of the preceding paragraph.

It is *further ordered* that the respondent, The Manufacturers Light and Heat Company, a corporation, be, and it hereby is, directed to keep its accounting records in accordance with the conditions set forth in Case No. 3580, which case is referred to in the report filed herein, and General Order



## WEST VIRGINIA PUBLIC SERVICE COMMISSION

No. 107-E entered by this commission on December 28, 1951, in order that the respondent and the commission may ascertain the cost of service furnished to its West Virginia customers.

Commissioner Nethken concurs herein except as set forth in said report. Commissioner Anderson dissents as set forth therein.

## DISTRICT OF COLUMBIA PUBLIC UTILITIES COMMISSION

### Re Washington Gas Light Company

P.U.C. No. 3541, Formal Case No. 431,  
Order No. 4035  
November 24, 1953

**A**PPPLICATION for authority to issue and sell refunding mortgage bonds to finance redemption of like amount of refunding mortgage bonds bearing a higher interest rate; granted.

#### *Security issues, § 82 — Refunding mortgage bonds — Resulting savings.*

1. The sale of refunding mortgage bonds,  $3\frac{3}{4}$  per cent series due 1978, and the redemption of a like amount of the  $4\frac{7}{8}$  per cent series was approved where it would result in a substantial saving to the company over the remaining life of the  $4\frac{7}{8}$  per cent bonds and where the company would be in a better financial position in the market with the outstanding bonds, at a  $3\frac{3}{4}$  per cent coupon rate, than with bonds at a  $4\frac{7}{8}$  per cent rate, p. 110.

#### *Security issues, § 112 — Exemption from competitive bidding — Refunding bonds.*

2. The issuance of  $3\frac{3}{4}$  per cent refunding mortgage bonds, for the purpose of redeeming a like amount of  $4\frac{7}{8}$  per cent bonds, by private placement with five institutional purchasers rather than by means of competitive bidding was approved, where the agreement for the private sale of the bonds was made at a time favorable to the company, marketwise, and where the substitution of  $3\frac{3}{4}$  per cent bonds for  $4\frac{7}{8}$  per cent bonds on the company's annual statement was considered desirable, p. 110.

By the COMMISSION: Washington Gas Light Company (hereinafter referred to as the "company") filed its application in the above-entitled matter on November 13, 1953, for a certificate of authority to issue and sell \$7,000,000 aggregate principal amount of refunding mortgage bonds,  $3\frac{3}{4}$  per cent series due 1978, and to

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create and execute new supplemental indentures to be dated December 1, 1953, supplemental to the company's mortgage and deed of trust dated January 1, 1933, and its first mortgage dated November 1, 1910, and requested that the commission find that the provisions of its Order No. 1465 ([1935] 12 PUR NS 9), are not

## RE WASHINGTON GAS LIGHT CO.

applicable to the proposed offering and that the terms thereof be waived for this issue and sale.

The commission issued its notice dated November 13, 1953, of a formal public hearing to be held upon the application on November 19, 1953. Appearances were entered on behalf of the company and the commission's staff. No other appearances were entered and no protests were filed against the granting of the application. The company presented two witnesses in support of its application.

The company stated in its application and by testimony of its witness that the proceeds from the proposed sale would be used to redeem a like amount of refunding mortgage bonds, 4 $\frac{7}{8}$  per cent series due 1978, authorized by this commission by its Order No. 4002 dated June 16, 1953. The company proposes to sell the new bonds by private placement at 100 with an interest rate of 3 $\frac{3}{4}$  per cent per annum. Five institutional purchasers have agreed to purchase the bonds under separate contracts between each purchaser and the company. It is proposed that the new issue will be subject to redemption at an initial call price of 104 per cent of the principal with a declining premium rate in each successive year thereafter. A proposed supplemental indenture to the company's mortgage and deed of trust dated January 1, 1933, will create and define the terms and provisions of the new issue. It provides for sinking-fund payments in the same amounts as provided in the issue of the 4 $\frac{7}{8}$  per cent bonds to be redeemed. The supplemental indenture will mortgage and pledge property acquired by the company subsequent to the date of the sup-

plemental indenture authorized by this commission in Order No. 3999, dated May 18, 1953. The company also proposes to issue its supplemental indenture to the first mortgage, dated November 1, 1910, to be executed and created for the purpose of perfecting the lien of that mortgage on property acquired since the date of the supplemental indenture authorized by Order No. 3999.

The contract between the company and the purchasers provides a closing date for the delivery of the new issue on December 1, 1953, except for one purchase which will be delivered December 17, 1953. On December 1, 1953, the company will issue its call for the redemption of the 4 $\frac{7}{8}$  per cent bonds to be redeemed.

The company's vice president, O. H. Ritenour, testified that he estimates that the issue and sale of the proposed bonds and the redemption of the 4 $\frac{7}{8}$  per cent bonds will result in a total interest saving over the remaining life of the 4 $\frac{7}{8}$  per cent bonds of \$1,645,622, and after deducting the call premium and the costs of refunding, it will effect a gross savings of \$1,129,678. The witness presented a consolidated condensed balance sheet, a consolidated income statement, and a statement of capitalization, actual and pro forma, as of September 30, 1953. The pro forma statements show the effect of the proposed issue of the 3 $\frac{3}{4}$  per cent bonds and the redemption of a like amount of the 4 $\frac{7}{8}$  per cent. bonds. The actual long-term debt ratio as of September 30, 1953, is shown to be 51.32 per cent, and on a pro forma basis the ratio is 51.47 per cent. The actual ratio of capital stock and surplus as of September 30, 1953, is shown to be

## DISTRICT OF COLUMBIA PUBLIC UTILITIES COMMISSION

48.68 per cent, and on a pro forma basis the ratio is 48.53 per cent.

The company's vice president testified that the accounting entries to give effect to the call premium and other expenses incident to the redemption of the outstanding  $4\frac{7}{8}$  per cent series bonds, and the related reduction in income taxes, will be submitted to the commission for its consideration.

The company asks that the commission find that the provisions of Order No. 1465, *supra*, requiring competitive bids be found not applicable to the proposed issue and that the provisions of the said order be waived. In support of this request, Ritenour testified that a direct placement of the bonds would avoid the inherent risks of competitive bidding; would result in substantial savings in expenses related to competitive bidding, such as preparation and printing of bidding papers, prospectuses, and other necessary papers, and cost of registration; that a direct placement makes certain the cost of the bond money in the present market conditions instead of risking the uncertainty of market conditions at a later date; and will permit an immediate refunding before the end of the year, which will improve the company's cash situation in the year 1954.

The witness testified that the coupon rate of  $3\frac{3}{4}$  per cent at a price of 100 is reasonable in the light of recent sales of bonds of similar ratings of comparable utilities. He also testified that since the sale to institutional buyers was agreed upon, the bond market has tightened somewhat, and he was of the opinion that in view of these changed conditions, sale of the bonds by competitive bidding at a later date

might well be at a higher cost to the company.

The company also presented as a witness James A. Lyles, vice president and a director of The First Boston Corporation, who handled the negotiations for the sale of the proposed new issue of bonds. It was his testimony that at the time of the transaction the best possible rate at the lowest net cost to the company could be secured by an immediate sale of the bonds on a direct placement basis. He testified that the delay required to prepare a registration statement for a public offering would postpone the issue until some time in January, 1954, at a time when the company would have to compete with a large volume of anticipated offerings of other companies. It was the opinion of the witness that  $3\frac{3}{4}$  per cent is a fair rate and that a delay of closing the contract would have resulted in a higher yield. The witness also testified that because of the announcement of substantial industrial financing since the agreement with the institutional purchasers was reached, quoted prices for outstanding bonds of ratings similar to the company's bonds have been reduced to some extent. His testimony was that the proposed issue could not be sold on today's market on the basis of  $3\frac{3}{4}$  per cent.

[1, 2] In view of the record in this proceeding, the commission finds and concludes that the issue and sale of the proposed refunding mortgage bonds,  $3\frac{3}{4}$  per cent series due 1978, and the redemption of a like amount of the  $4\frac{7}{8}$  per cent series due 1978, will result in a substantial saving to the company over the remaining life of the outstanding  $4\frac{7}{8}$  per cent bonds and that the company will be in a better financial

## RE WASHINGTON GAS LIGHT CO.

position in the market with the outstanding bonds at a  $3\frac{3}{4}$  per cent coupon rate than with bonds at a  $4\frac{1}{8}$  per cent rate. The commission is of opinion from the testimony of record that the agreement for the private sale of the proposed issue at  $3\frac{3}{4}$  per cent was made at a time favorable to the company, marketwise, and should be approved in the public interest. The commission is also of the opinion that the extraordinary and unusual circumstances presented in this case, especially the desir-

ability of substituting  $3\frac{3}{4}$  per cent bonds for  $4\frac{1}{8}$  per cent bonds on the company's annual statement for the year ending December 31, 1953, require the waiver of the competitive bidding rule set forth in Order No. 1465, *supra*.

Approval of the issue and sale of the proposed bonds is not to be construed as approval of the pro forma accounting entries reflecting, inter alia, the call premium and other expenses in connection therewith and the related tax saving.

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## NEW YORK PUBLIC SERVICE COMMISSION

### Re Republic Light, Heat & Power Company, Inc.

Re Iroquois Gas Corporation

Case 16525  
December 7, 1953

**A**PPPLICATION by gas company for authority to transfer part of gas works and system to affiliate; granted.

*Consolidation, merger, and sale, § 22 — Service improvement — Possible corporate simplification.*

A gas company was authorized to sell part of its gas works and system to an affiliated gas company serving an adjoining territory where the transaction would make the city served by the purchasing company a single franchise area for the sale and distribution of gas, where the consumers in the area affected by sale would be benefited by the distribution of better quality gas, where dual services being rendered by both companies, such as reading and changing meters and providing maintenance in the affected area, would be abolished, where the inclusion of the affected area, which should logically and normally be a part of the purchasing company's system, and the transfer of the property dedicated to the distribution of gas within the area would simplify the corporate franchise and structure of both companies and aid in the gradual merging of their systems.

## NEW YORK PUBLIC SERVICE COMMISSION

**APPEARANCES:** Kenefick, Bass, Letchworth, Baldy & Phillips, by John H. Hollands, of Counsel, Buffalo, representing Republic Light, Heat and Power Company, Inc.

**BEDENKAPP, Commissioner:** Iroquois Gas Corporation (Iroquois) was granted a franchise to provide gas service in the city of Buffalo in April, 1886. During the intervening almost seventy years, Iroquois has extended gas service under the provisions of its franchise to nearly the entire area within the Buffalo municipal limits providing service for about 164,000 customers. The only area within the corporate limits not served by Iroquois is a small section in the northeast portion of the city where it adjoins the town of Tonawanda. In this small area Republic Light, Heat and Power Company, Inc. (Republic), serves 113 customers under a franchise granted by the city of Buffalo in May, 1889.

On November 9, 1953, Republic and Iroquois entered into an agreement, subject to the approval of this commission, for the sale by Republic to Iroquois at original cost less estimated accrued depreciation at the date of closing of the gas distribution system and property owned by Republic and used directly in the distribution of mixed gas of 750 Btu content to the aforesaid 113 customers. This proceeding is brought upon the joint application of both Republic and Iroquois for the approval by this commission of such transfer and sale.

The gas plant property contracted to be transferred consists largely of distribution mains, meters, and land rights more particularly specified in Exhibit A hereto annexed. The original cost of the property as shown on

the books of Republic was \$19,998.18 with estimated accrued depreciation of \$8,646.18 as of the date of the agreement, leaving a net amount to be paid by Iroquois to Republic of \$11,352, subject to any changes occurring prior to the closing date.

Recent balance sheets of both Republic and Iroquois and recent income statements of both corporations are attached hereto as Exhibits C-F, inclusive [exhibits omitted herein]. These exhibits are attached merely for the purpose of reference and to indicate how small the proposed transfer of property is in comparison with the total assets and business involved.

None of the customers affected appeared in opposition and the sole appearance was on behalf of Republic. Exhibit B, however, contains the appropriate tariff provisions under present service by Republic and the provisions of the Iroquois tariff which would apply in lieu thereof if the proposed transfer of plant is approved. The testimony presented indicates that the rates of at least 90 per cent of the customers, who use quantities of gas exceeding 2,000 feet per month, would be lower and that there might be a slight increase to a few customers who are small users.

Evidence was offered upon behalf of the petitioner that the transfer of property is in the public interest. Briefly the advantages were described as follows, viz.,—

1. Under the provisions of the agreement Republic would surrender its franchise from the city of Buffalo, which has been exercised only to the extent of serving 113 customers. This will make the city of Buffalo a single



## RE REPUBLIC LIGHT, HEAT & POWER CO.

franchise area for the sale and distribution of gas.

2. The customers in the small area involved would be benefited by the distribution of better quality gas through the raising of the Btu content to the uniform 900 Btu content now supplied by Iroquois to the remainder of the city of Buffalo.

3. The dual services now being rendered by both companies such as reading meters, changing meters, and providing maintenance in the affected area would be abolished.

4. The supplying in its Niagara District, where 547 Btu content manufactured gas is otherwise served, of a mixed gas of 750 Btu content represents an anomalous situation and is more closely identified with the type of service now being rendered by Iro-

quois. The inclusion of this area which should logically and normally be a part of the Iroquois system and the transfer of the property dedicated to the distribution of gas within the area would simplify the corporate franchise and structure of both Iroquois and Republic and aid in the gradual merging of the systems. Since Iroquois and Republic are now subsidiaries of the same company, steps towards the merger of the two operations would patently benefit the areas served.

It is recommended that the application for the transfer by Republic to Iroquois of part of its gas works and system pursuant to the terms of the agreement dated November 9, 1953, be approved as in the public interest.

WISCONSIN PUBLIC SERVICE COMMISSION

WISCONSIN PUBLIC SERVICE COMMISSION

## Re Northern States Power Company

Re Vernon Electric Cooperative; Re WKBH Television, Inc.

CA-3198

February 4, 1954

**P**ROPOSAL by electric company to extend service to television station; extension authorized.

*Monopoly and competition, § 50 — Electric extension — Patrons' preference.*

A television station is entitled to have an electric company extend service, and the electric company is under a duty to furnish such service, notwithstanding that more dependable service at lower rates and with a lesser investment can be supplied by a co-operative, where the station desires the service from the electric company and there is no showing of interference with the service of facilities of the co-operatives in the area.

By the COMMISSION: Northern States Power Company, Eau Claire, on December 9, 1953, notified the commission and the Vernon Electric Cooperative, Westby, pursuant to § 196.49, Statutes, and general order 2-U-20 of the company's intention to extend the company's electric distribution system about 3,900 feet to serve WKBH Television, Inc., La Crosse, located in the SE quarter of the SW quarter of section 10, township 14 north, range 7 west, in the town of Bergen, Vernon county, near La Crosse.

On December 15th the Vernon Electric Cooperative by its attorneys filed objection to the proposed extension on the ground that the co-operative is prepared to accept the station as a member and render required service and that the extension by the company would result in needless duplication of facilities.

Pursuant to due notice hearing was  
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held at La Crosse on January 5, 1954, before examiner Calmer Browy.

APPEARANCES: Northern States Power Company, by A. L. Christensen, Manager, La Crosse division, J. S. McMillen, Vice President, and by James Riley and Bailey E. Ramsdell, Attorneys, both of Eau Claire; Vernon Electric Cooperative, by N. F. Leifer, Manager, Ralph Larson, Secretary, and by Floyd Wheeler, Attorney, Madison.

Northern States Power Company made application in compliance with commission general order 2-U-20 for authorization to extend its distribution system approximately 3,900 feet to serve WKBH Television, Inc., located in SE  $\frac{1}{4}$  of the SW  $\frac{1}{4}$  of section 10, township 14 north, range 7 west, town of Bergen, Vernon county.

The Northern States Power Company has a 12.5-kilovolt 3-phase line from La Crosse south terminating at De Soto. It now serves about ninety-

## RE NORTHERN STATES POWER COMPANY

two customers in the town of Bergen, and the company has served in the town of Bergen for twenty-five years. The applicant proposes to provide service by constructing 3,900 feet of 12.5-kilovolt 3-phase line in an easterly direction and serving the station through three 25-kilovolt ampere transformers. The load is estimated at 62 kw. and 9,500 kwh. each month with increasing amounts of energy as the station increases its daily operating time from five hours initially.

The line from La Crosse to De Soto is fed only at La Crosse and has automatic oil circuit breakers to isolate faults and limit the area which would be without service. However, a fault at the north end near La Crosse would interrupt service to all customers on the line. The company has plans for loop service, but it may be two years before the loop is built. Service has been good with only two interruptions in 1953: one was planned; and the other was a result of improper operation of relays of Dairyland Power Cooperative, which is interconnected with Northern States Power Company.

Shortly after World War II, WKBH proposed to operate an F.M. station at this same location and at that time negotiated with Northern States Power Company to furnish the necessary electric power. The building was constructed but F.M. operation was never started. WKBH now has a television permit and has reopened negotiations with Northern States Power Company.

The Vernon Electric Cooperative also has electric distribution lines in the town of Bergen and has had them since it started operations about 1937. The general area south of La Crosse

is served from a substation of the Dairyland Power Cooperative immediately east of Stoddard. Single-phase service since November, 1953, has been provided at the television transmitter site, but it appears that the station is not a member of the co-operative. However, both in the letter of objection and in testimony at the hearing, the co-operative stated that it is prepared to accept the station as a member.

The particular line which now serves the station is a single-phase 7.2-kilovolt line about 2.9 miles long to the point where it connects to a 12.4-kilovolt 3-phase line. From this point it is about 4 miles by line to the Stoddard substation. Initially the co-operative proposed to reconstruct the single-phase line to 3-phase to provide the station with service. However, later the objector arranged with the Dairyland Power Cooperative to tap the latter's 34.5-kilovolt 3-phase line which extends a distance of 64 miles from Genoa to Independence and passes between 600 feet and 700 feet from the television station. The 34.5-kilovolt line has well-regulated voltage from voltage-regulating equipment located at Genoa 12 miles to the south. The cost of tapping the 34.5-kilovolt line is estimated at \$5,852 as compared to \$3,400 for reconstructing the single-phase low-voltage line.

### *Opinion*

The tapping of a 34.5-kilovolt transmission line to serve a single relatively small customer is a somewhat unorthodox procedure and in this case, with the transmission line the property of the Dairyland Power Cooperative, appears to be an expedient to permit the

## WISCONSIN PUBLIC SERVICE COMMISSION

Vernon Electric Cooperative to provide reasonably adequate service which it could not do with its own facilities. It is further unusual as the distribution co-operative would own the short length of 34.5-kilovolt line and transformer, whereas the power co-operative usually owns the substation and sells at the output of the substation.

It was stated that several similar installations exist on co-operative systems, but two that were mentioned appear to be Dairyland Power Cooperative installations for its own use. One of these possibly had no other line in the vicinity, and the other serves the office building and plant of the Dairyland Power Cooperative in La Crosse which was the subject of commission docket 2-U-3621. The third such service was considerably larger to a gravel pit in the Oakfield Cooperative area which required a capacity of 300 kilovolt amperes.

Neither the company nor the co-operative will require a customer contribution, and each would apply its regular rate for this type of service. Based on initial estimated use, the annual charge by the co-operative would be about \$2,052 and that by the company, \$4,551.

The television station desires service from the Northern States Power Company even though the cost will be greater. Its owners have had dealings with the company and purchase energy from the company for their radio station WKBH. Another reason for desiring service from the company is that the pole line to be built will provide the necessary support for telephone facilities which are essential for proper operation and control of the television station. If the North-

ern States Power Company does not furnish the electric energy, it will still be necessary to construct a pole line along essentially the same route for telephone facilities.

Under the circumstances, even though the television station at the present time can get more dependable service at lower rates and with less investment from the co-operative than from the public utility, WKBH Television, Inc., is entitled to electric public utility service when the station desires such service and when there is no showing of interference with the service or facilities of the two co-operatives in the area. There is no such showing in this case.

The commission finds:

1. That WKBH Television, Inc., La Crosse, La Crosse county, desires electric public utility service at its television station located in SE  $\frac{1}{4}$  of the SW  $\frac{1}{4}$  of section 10, township 14 north, range 7 west, town of Bergen, Vernon county, Wisconsin, and has elected to request this service from the Northern States Power Company of Wisconsin and not from the Vernon County Electric Cooperative.

2. That the Northern States Power Company is a public utility and has the responsibility of providing the electric service here requested.

3. That public interest warrants and public convenience and necessity require that the Northern States Power Company of Wisconsin extend its electric lines and furnish electric service to WKBH Television, Inc., La Crosse, at its television station in the town of Bergen, Vernon county, at an estimated cost of \$8,700.

The commission therefore concludes:

RE NORTHERN STATES POWER COMPANY

1. That it is the duty of the Northern States Power Company of Wisconsin to extend electric service to the television station of WKBH Television, Inc., La Crosse, pursuant to the above findings and pursuant to §§ 196.03(1) and 196.49(4), Statutes, and commission general order 2-U-20.
2. That an appropriate certificate and order should be entered.

WASHINGTON PUBLIC SERVICE COMMISSION

Washington Public Service Commission

v.

Washington Water Power Company

Cause No. U-8398  
January 29, 1954

**I**NVESTIGATION of operating results and return experienced by electric company under temporary rate increase; temporary rates made permanent. For earlier decision, see (1953) 98 PUR NS 12.

*Apportionment, § 54 — Electric facilities — Demand and energy factors.*

1. An equitable ratio to be used for intrastate separation of total system power production and transmission facilities for the purpose of fixing intrastate electric rates should incorporate some weight for demand requirements as well as energy requirements when the former are at odds with the energy requirements alone, p. 118.

*Return, § 87 — Electric company.*

2. Temporary electric rates were allowed to be made permanent where they would yield a return of approximately 5.85 per cent, such a return having been considered reasonable and adequate when the temporary rates were authorized, p. 122.

By the COMMISSION: An order was issued in this cause January 23, 1953, 98 PUR NS 12, granting certain rate increases on a temporary basis to The Washington Water Power Co. after it was found that a return of 5.85 per cent constituted a just, fair, reasonable, and sufficient rate of return on the company's properties used and useful in the rendering of electrical service

in this state. Tariff revisions were filed January 29, 1953, pursuant to the terms of the commission's order and in the first supplemental order dated January 30, 1953, the authorized increases became effective with all meter readings taken on or after February 2, 1953, and were to be in force for only one year following the effective date thereof, unless justification for



## WASHINGTON PUBLIC SERVICE COMMISSION

continuance be made clear. Respondent was required to submit monthly operating results attributable to its electric operations for the period during which the increased rates remained temporary and to state on or before November 2, 1953, operating results for the state of Washington electric for as current a period as possible and in a form consistent with that used by the commission in the order granting temporary rate increases. This was supplied the commission November 2, 1953, and presented operating results, state of Washington electric, pro forma, for the nine months ended September 30, 1953, on an annual basis.

After due and timely notice the commission held further public hearing in this cause January 12, 1954, in the Paulsen Building Auditorium, Spokane, Washington, to receive testimony which would afford a current view of the level of operating results and rate of return which the company is experiencing.

The following have entered appearances in this cause:

Washington Public Service Commission, per Frank P. Hayes, Assistant Attorney General, Olympia, for the complainant; The Washington Water Power Co., per Alan Paine, of Paine, Lowe, Coffin, Ennis and Herman, Attorneys, Spokane, for the respondent; city of Spokane, per George Ferris, Corporation Counsel, Spokane, and Spangle Grange No. 1063, per Edgar J. Wright, Seattle, for the intervenors.

**OTHER APPEARANCES:** Northwest Electric Heating Society, per George R. Stuntz, Attorney, Seattle; Central Labor Council of Spokane and Vicinity, per William J. May, Executive

Secretary, Spokane; Charles W. Hodde, Colville, appearing for himself; Lillias De Foe, Spokane, appearing for herself; Ralph C. Schlichtig, Dishman, appearing for himself; Lawrence E. Sherman, Spokane, appearing for himself.

### *Results of Operatings*

A summary of all the evidence presented as to the current level of operations including the data furnished as a late filed exhibit is encompassed in Appendix "A" attached hereto [omitted herein] and which by this reference is incorporated herein. All presentations were for state of Washington electric, on a pro forma basis.

The application of the pro forma method of viewing results of operations and rate of return as employed in the data set forth as Appendix "A" gives effect to the restatement of actual experienced results of operations for those influences which were considered and set out in the initial order in this cause. These influences are primarily, (1) an adjustment to portray the total of the Cabinet Gorge project as completely operative throughout the test period; (2) an adjustment to reflect the revenues and power purchase costs which would have arisen within the company's operations had hydro conditions stood at median throughout the test period; (3) an adjustment to give effect to the current level of wage costs throughout the test period; and (4) an adjustment to give effect to the current level of rates throughout the test period.

[1] The company and commission staff each presented results of operations for the twelve months ended September 30, 1953. In addition the

PUB. SERV. COMM. v. WASHINGTON WATER POWER CO.

company presented results of operations for the nine months ended September 30, 1953, on an annual basis, and for the year ended December 31, 1953, the latter being based upon nine months of actual operations and three months estimated. For the 12-month period ended September 30, 1953, the results as presented by both the company and staff are substantially in agreement. The differences which exist are due to opposing views as to the allocation of certain costs assigned in part to state of Washington electric, which are identifiable for the total system operations in Washington and Idaho. These costs are the amortization of utility plant acquisition adjustment and certain administrative and general costs, each of which are accounted for at the total system level only, but apply to the components of the company's total operations. Because of this general over-all applicability allocations between Washington and Idaho on some equitable basis are necessary. Any allocation cannot represent 100 per cent refinement. However, this contrast in the application of allocation methods is responsible for the differing rates of return for the 12-month period ended September 30, 1953, for state of Washington electric, on a pro forma basis, which is measured by the company to be 5.87 per cent. The staff of the commission measures the rate of return for the same period to be 5.92 per cent. Both the company and staff presentation makes use of a ratio for the separation of the investment in and operating costs of the major power system to states which is based upon energy requirements at substations. For the year ended September 30, 1953, this

ratio was determined to be 60 per cent for the state of Washington electric, and 40 per cent for the state of Idaho electric. The company contends that the major power system ratio based upon energy requirements alone used for the presentation of operating results separately for the states of Washington and Idaho gives undue weight to the usage of energy, to the entire exclusion of individual state requirements for peak demands.

The company requested and received permission to enter a late filed exhibit in this cause, designated as Exhibit 47, for the information of the commission to show that effect the consideration of demand requirements together with energy requirements would have in the apportionment of net investment in the major power system together with the operating expenses thereof to the states of Idaho and Washington. As shown in Appendix "A" [omitted herein], the rate of return for the state of Washington electric, for the twelve months ended September 30, 1953, on a pro forma basis, would have been 5.64 per cent, had demand requirements entered and weighed the separation ratio for the major power system. The controlling ratio of energy and demand requirements measured at substations for the year ended September 30, 1953, was 62.22 per cent Washington electric, in contrast to the energy requirement ratio alone for the same period of 60.0 per cent Washington electric.

It will be noted in Appendix "A" that the rate of return for state of Washington electric operations is above the equivalent rate of return for total company electric. Inasmuch as the company's only other electric oper-

## WASHINGTON PUBLIC SERVICE COMMISSION

ations are located within Idaho where a similar schedule of rates for similar type service is on file with the regulatory body of that state it is apparent that the rate of return for the state of Idaho electric is substantially below that for total company. This occurs largely as a result of the separation between states of a large portion of the total company investment and a large block of the total company costs of operations. If the controlling ratio, based upon energy requirements used in making this separation were improper, or incorrectly weighted for all factors which tend to influence the equitable assignment of costs between states, the return for the state of Washington electric, could be stated at an artificial level due singly to the mechanics of separations.

In considering the cost of supplying electric service it is important to consider not only the energy but the demand component associated with the power requirement and the resulting load factor. The company has a substantially larger number of residential customers in this state with a comparatively high demand but low load factor in contrast to Idaho where there is a relatively higher industrial load. The latter load with constant energy requirements and high load factor has a comparatively low demand requirement at the time of the company's maximum peak demand.

No such question of the validity of using the energy requirements at substations has been previously brought to our attention in this cause. Since Exhibit 47 was not subject to cross-examination, it cannot be given evidential weight. The commission, however, of its own knowledge realiz-

es that the use of energy requirements alone at this time tends to keep the apportionment ratio at an artificial level. In view of the large variation in rate of return between total company electric operations of 5.66 per cent for the year ended September 30, 1953, and that presented by the commission staff for the same period for state of Washington electric operations of 5.92 per cent, the energy requirements ratio employed in part for the intra-state separation is not the most equitable ratio for allocation between states due to the failure to consider demand requirements. The commission concludes that if such a combined separation ratio were employed, the return for the state of Washington electric, on a pro forma basis, for the year ended September 30, 1953, would be measured at or below 5.85 per cent.

In submitting the results of operations for the calendar year ended December 31, 1953, with nine months actual and three months estimated, the company maintains that the pro forma rate of return for the state of Washington operations will be 5.78 per cent using an allocation ratio of energy requirements at substations. The testimony, however, shows that the estimated operating revenues for the calendar year 1953 are understated and that the net operating income will similarly be understated so that when the actual figures are available for the calendar year the rate of return will fall between 5.87 per cent and 5.78 per cent. The evidence further shows that if the temporary rate increase were to be withdrawn the results of operations would yield, on a pro forma basis, a rate of return for the twelve months

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ended December 31, 1953, of 5.27 per cent which is below that previously authorized as a just, fair, reasonable, and sufficient rate of return.

*Rate Base*

The components of the rate base used in measuring rate of return were set forth in detail in the initial order in this cause. No change was proposed by any interested party relative to the components of the rate base. It should be pointed out, however, that the rate base assigned to the state of Washington electric operations for the year ended September 30, 1953, employing similar separation methods as used in the prior order in this cause, is approximately \$3,000,000 greater than previously used. This is brought on by the net additions which have been made to the company's investment in utility plant in the period following the close of the test period presented in that prior order. A variation also exists between the rate base as presented by the company and by the commission staff for the year ended September 30, 1953, for the state of Washington electric, wherein intrastate separation of the major power system was made on the basis of energy requirements at substations. This arises from a different allocation of utility plant acquisition adjustment used by the staff than by the company. The allocation as presented by the staff of this commission was adopted for use by this commission in the prior order in this cause.

The commission has earlier concluded herein that an equitable ratio to be employed for purposes of intrastate separation of total system power production and transmission facilities

should incorporate some weight for demand requirements when the latter are at odds with energy requirements alone. The use of a ratio in intrastate separation of the investment in the major power system which gives weight to demand requirements by states would produce a greater rate base assignable to state of Washington electric than that presented by either the staff or the company for the twelve months ended September 30, 1953, wherein intrastate separation was accomplished giving weight to energy requirements alone.

*Other Considerations*

The company currently follows the retirement appropriation method of depreciation accounting, which in effect makes appropriation from a current year's operations of an amount of retirement expense estimated as covering the cost of future retirements which will need be made as a result of the current year's operations. Considerable testimony has been entered in this cause, both by witnesses on behalf of the company and by witnesses on behalf of the commission's staff relative to the appropriate method of depreciation accounting that should be followed, and the effect thereof on depreciation expenses and reserve requirements. In our initial order we pointed out that decision on such matters was being reserved. Revision of the company's depreciation practices must receive prompt consideration, but more current information than that presently entered in this record is necessary for final determination. However, evidence already entered in this cause should logically serve as background material for any final determination.

## WASHINGTON PUBLIC SERVICE COMMISSION

So much of the record in this cause, therefore, as pertains to matters of depreciation accounting should remain open and such will be found and ordered herein.

### *Findings*

Wherefore, from the consideration of the entire record made herein the commission finds:

1. The Washington Water Power Company is a Washington corporation owning and operating electrical plants in this state for the distribution and sale of electricity for hire, and as such is an electric company and public service company subject to the jurisdiction of this commission.

2. The fair value of respondent's property used and useful in the rendition of electric service in the state of Washington for the 12-month period ended September 30, 1953, is \$70,186,373, the intrastate separation of the major power system thereof having been made consistent with prior use in this cause. Considering a demand requirement component, as weighing the ratio for intrastate separation of the major power system, the fair value of respondent's property devoted to utility service within this state would be greater than as set forth above.

[2] 3. For the test period ended September 30, 1953, and on a pro forma basis, with intrastate separations of the revenues and expenses

associated with the major power system having been made on a basis consistent with prior use in this cause, the respondent's gross revenue applicable to electric operations in this state amounted to \$13,844,377; its total expenses, including depreciation, amortization, and taxes applicable to such operations, amounted to \$9,692,674, leaving a net operating income of \$4,151,703, which, when related to the applicable fair value in Finding No. 2, results in a rate of return of 5.92 per cent.

4. Considering an intrastate separation ratio applicable to the revenues and expenses associated with the company's major power system, and giving weight to demand requirements as well as energy requirements, the rate of return, state of Washington electric, for the twelve months ended September 30, 1953, would be at or below 5.85 per cent.

5. From a consideration of Findings 3 and 4 it is clear that respondent's Washington electric operations, viewed on a pro forma basis, are at the approximate level contemplated in our initial order granting a temporary rate increase and accordingly no adjustment to the rates therein authorized is required.

6. Respondent should be authorized to continue the furnishing of electric service under its presently filed tariffs designated as WN U-23 with no change therein.



RE MOUNTAIN STATES TELEPH. & TELEG. CO.

UTAH PUBLIC SERVICE COMMISSION

Re Mountain States Telephone &  
Telegraph Company

Investigation and Suspension Docket No. 103  
January 22, 1954

**I**NVESTIGATION of proposed rates and charges of telephone company; proposed rates approved.

*Procedure, § 16 — Interrogatories concerning telephone operation — Relevancy.*

1. Interrogatories submitted by a municipality protesting a telephone rate increase to require the applicant company to furnish the amount of its investment devoted to, its operating revenues derived by, and its operating expenses incident to, the furnishing of service within the corporate limits of the city, and within each exchange and group of exchanges included in the proposed rate schedule were disallowed where the company's rates were constructed on a statewide rather than on an exchange basis, where, under this system, it would not be necessary for the company to have on hand the information requested, where, as a matter of fact, the company did not have in its records the information, and where no generally accepted procedures existed for effecting a separation of investments, revenues, and expenses by municipalities or exchanges, p. 124.

*Discrimination, § 45 — Telephone rate — Preference to pensioners.*

2. A special rate for telephone service to recipients of welfare or relief benefits, or to elderly persons living on small incomes, would be discriminatory, p. 127.

**APPEARANCES:** J. H. Shepherd and S. N. Cornwall, for respondent, The Mountain States Telephone and Telegraph Company; Paul Thatcher and Jack A. Richards, for Ogden City; Peter M. Lowe, Deputy Attorney General, for Public Service Commission of Utah; Christian P. Jensen, for senior citizens of Utah; Winfield B. Stillinger, for himself and other welfare clients.

By the COMMISSION: On December 29, 1953, in Case No. 3939, 2 PUR3d 75, this commission issued its

report, findings, and order in which it authorized The Mountain States Telephone and Telegraph Company, herein sometimes referred to as respondent, to submit to this commission a new schedule of telephone rates, applicable to its Utah intrastate business, and designed to increase its gross revenues by not more than \$1,678,852 when applied to the estimated number (226,500) of telephones in the state of Utah at December 31, 1953.

Pursuant to said authorization, respondent, on January 5, 1954, submitted to this commission certain new

## UTAH PUBLIC SERVICE COMMISSION

tariff sheets covering its Utah intrastate rates and charges and designed to increase its gross revenues by not more than said sum of \$1,678,852 when applied to said estimated number (226,500) of telephones at the end of December, 1953.

Upon the filing of said tariff this commission issued an order on January 5, 1954, in the above-numbered docket, suspending the operation of said tariff. The same order provided also that the commission, without formal pleadings, enter at once upon an investigation and hearing to determine if said tariff and the rates and charges thereby proposed are just and reasonable and provide a reasonable distribution among the several rates and classes of service of the increased revenues allowed in Case No. 3939, *supra*, and to determine further if the said proposed rates and charges will produce additional revenues within the limits specified in the order in said Case No. 3939, *supra*.

By said order of January 5, 1954, this commission set the hearing on said investigation at its office in Salt Lake City, Utah, for January 16, 1954, at 10 A.M., and the matter came on regularly to be heard at said time and place.

Due notice of hearing was given by mailing and by publication and the proof of such publication and mailing is now on file with this commission.

[1] Prior to date of hearing, written interrogatories were propounded by Ogden City to the respondent, and such interrogatories as so propounded were filed with this commission.

At the commencement of said hearing on January 16, 1954, respondent

2 PUR 3d

filed herein its answer to interrogatories Nos. 5 and 6 as so propounded and interposed its written objection to interrogatories numbered 1 through 4. Ruling on said objection was reserved by the commission pending full consideration of the matter.

Interrogatory 5 requires respondent to furnish information relative to the average daily calling rate for telephones in each of its exchanges within the state of Utah, while interrogatory 6 requires information relative to the average monthly revenue per main telephone in each group of exchanges listed in the proposed rate schedules. This information was furnished by respondent.

Interrogatories 1 through 3 require in substance that respondent furnish the amount of its investment devoted to, its operating revenue derived by, and its operating expenses incident to, the furnishing of intrastate telephone service for the calendar year ending December 31, 1953, to respondent's subscribers within (a) the corporate limits of Ogden City, (b) each exchange operated by respondent, and (c) each group of exchanges included in the proposed rate schedule.

At the hearing, counsel for Ogden City requested leave to propound further interrogatories requiring like information relating to the furnishing of local exchange telephone service, rather than intrastate telephone service. By stipulation of interested parties it was agreed that Ogden City should be deemed to have propounded such additional interrogatories, and that respondent should be deemed to have filed objections thereto in substantially the same form as the objections which

RE MOUNTAIN STATES TELEPH. & TELEG. CO.

it interposed in Case 3833,<sup>1</sup> and in this investigation.

Interrogatory 4 required respondent to furnish estimates in the event that exact figures were not available in answer to interrogatories 1 through 3.

In substance respondent's objections are that: (a) The information requested is not relevant or related to any issue involved in this investigation because the matters of investment, depreciation reserve, operating revenue, and operating expense were fully considered in said Case 3939, *supra*, and further because such matters when related to municipal boundaries, exchanges, or groups of exchanges, under principles of statewide rate making are not subjects material to inquiry or determination; (b) the questions raised by such objections were fully considered and passed upon by the commission in Case No. 3833 [cited below]; (c) the information requested is not available. No regulatory body requires respondent to keep such information, and such information could be produced only after suitable preparation methods and accounting practices had been formulated and employed over a long period of time, all of which would require exhaustive studies, burdensome expense, and a testing period sufficiently long to assure a fair degree of accuracy; (d) telephone rates in Utah are not established on a unit cost basis but are set with differentials reflecting differences in value of service between large and small exchanges, between business and residence service, and between services with different numbers of

telephones on one line at levels intended to produce a reasonable rate of return on the intrastate business as a whole; and with respect to interrogatory 4 requiring estimates the objection of respondent is that no reasonable basis exist for making such estimates.

Ogden City makes no objection in this case to the determination and decision of this commission in Case No. 3939, *supra*, that respondent is entitled to additional gross revenues of not to exceed \$1,678,852, when applied to the estimated number (226,500) of telephones at December 31, 1953. Nor do we understand that Ogden City has any firm conviction that the distribution of the allowed increased revenues is unjust or unreasonable. As we interpret the contention of Ogden City, it urges that the study and investigation proposed by it in the interrogatories might disclose inequities in the rates for different classes of service or for different size exchanges, based upon cost of service as a yardstick, and that this commission should now enter upon such an investigation and in so doing should require an allocation and breakdown of investment, revenue, expense, and depreciation reserve to the municipal boundaries of Ogden City, and to each exchange and each group of exchanges operated by respondent within this state as required by its propounded interrogatories.

The determination of telephone rates under the principles followed by this commission involves two general steps. In the first place the over-all revenue requirements of the company for its entire intrastate business must be determined. This was done in Case

<sup>1</sup> Re Mountain States Teleph. & Teleg. Co. (1952) 97 PUR NS 527, and (1953) 99 PUR NS 1.

## UTAH PUBLIC SERVICE COMMISSION

No. 3939, *supra*. This part of the procedure is predicated upon cost of service. Once the over-all state revenue requirements have been found the next step is to construct a schedule of rates that will produce such revenues. Under our practice the rates are constructed on a statewide basis rather than on an exchange basis. We perceive no reason at this time for departing from that principle. The interrogatories propounded by Ogden City and respondent's objections thereto raise the question as to whether the information requested is relevant and material.

The rates proposed by respondent are constructed on a statewide basis. Under this system the state has been divided into six exchange groups, each group being made up of an exchange or exchanges, each exchange having a number of telephones within a certain range, group one having up to 1,000 telephones, group six having over 40,000 telephones. The Ogden exchange falls in group five, in which group there is but one exchange; group six includes only the Salt Lake City metropolitan exchange. The Provo extended service area is alone in group four. In each other group there are several exchanges. Within each group the rates for like services are uniform for all exchanges, as between the groups there is a graduation of rates, group one having the lowest and group six the highest rates.

Under this system of rate making respondent is required to make a separation between intrastate and interstate investment, revenue, and expense for the state as a whole. This separation is made in accordance with generally accepted separations procedures.

Under the system of statewide rate making it is not necessary to determine investment, revenue, and expense within the corporate limits of cities or within exchanges or groups of exchanges.

The revenue requirements of respondent are spread over the state as a whole, and the rates which produce these revenues must be reasonable as between the groups of exchanges, and as between the various kinds and classes of service within exchanges and must be just and reasonable when considered as a whole.

The objections to the interrogatories interposed by respondent and the testimony of witnesses at the hearing in this investigation demonstrate that respondent does not now have in its records the requested information. It is also clear that there are no generally accepted procedures for developing an allocation or separation of investment, revenue, and expense to a municipal boundary or an exchange basis. Such procedures could be developed.

We are not unmindful of the fact that circumstances may arise where it would be the duty of this commission to enter upon a general investigation of telephone rates on an exchange basis. We exercise a continuing jurisdiction over the respondent and over its rates and charges, and we will not hesitate to exercise that jurisdiction either upon our own motion or at the instance of interested parties under proper circumstances.

From the evidence presented in this investigation we find that there is a reasonable differential in the proposed rates as between the six groups of exchanges within the state of Utah, that there is a reasonable differential be-

## RE MOUNTAIN STATES TELEPH. & TELEG. CO.

tween the kinds and classes of service within each exchange and that considered as a whole the distribution of the increases and the proposed rates are just and reasonable. Having so found, we further find that there is no present need to enter upon a general investigation as contemplated by the interrogatories propounded by Ogden City.

Ogden City, upon the closing of the hearing in this case, requested that an order might be entered on an interim basis which would permit the proposed rates to go into effect subject to further investigation and hearing within the interim specified in such order. We advised that the request for such interim order would likewise be considered in our full determination of this case.

Inasmuch as this commission has a continuing jurisdiction over the rates and charges of respondent, we are of the opinion that in this investigation an interim order is not necessary for the protection of the public or interested parties.

The evidence in this case shows that the rates and charges proposed by respondent when applied to the 226,500 telephones estimated by it to be in service at the end of December, 1953, will produce additional gross revenues not in excess of \$1,678,852, and the commission so finds.

[2] Both the commission and respondent have carefully considered the matter of appropriate rates for those users of telephone service who are recipients of welfare payments or other forms of relief or of persons in similar financial circumstances who are living on their own private incomes. In such consideration, recognition has been

given to the fact that persons under such circumstances need and require telephone service and that such service should be furnished at the lowest rates consistent with sound practices. Respondent's 4-party flat rate residence service is the lowest priced service offered by it. Proposed rates for such service range from \$2.50 per month in group one exchanges to \$3.50 per month Group six. The evidence shows that approximately two-thirds of the residence telephone service furnished by respondent in the state of Utah is a 4-party flat rate service. The evidence further shows that the increases which have been made in the 4-party flat rate residence service during the postwar period including the increases under the proposed rates, have been lower than in any other class of service. If rates for this class of service were reduced below the level proposed, such reductions would necessitate much larger increases in other classes of service.

We have given consideration to the question as to whether a reduced rate might be provided for recipients of welfare and other elderly persons living on small incomes. In this connection, however, we are confronted with the requirements of law that rates must not be discriminatory (see § 54-3-8, UCA 1953), which requirements may be violated if a special rate were made for the benefit of certain individuals or classes of individuals.

After consideration of the matters discussed above, the commission finds that:

(1) The objections of respondent to interrogatories 1 through 4 and the like objections to the interrogatories embraced within the stipulation of the



## UTAH PUBLIC SERVICE COMMISSION

parties should be sustained, and the commission will continue at this time to adhere to the statewide system of telephone rate making.

(2) There is no need at this time to continue this investigation further, hence, no interim order need be entered in this case.

(3) The rates and charges proposed by respondent in the tariff sheets filed with this commission and here under investigation should be approved, and respondent may place the same in effect by making the changes in the rate for the toll service effective at 12:01 A. M., January 25, 1954, and by making the changes in the charges for all other services effective on billing dates commencing with January 25, 1954, and subsequent thereto.

4. The investigation entered upon by the commission in this case should be terminated.

### ORDER

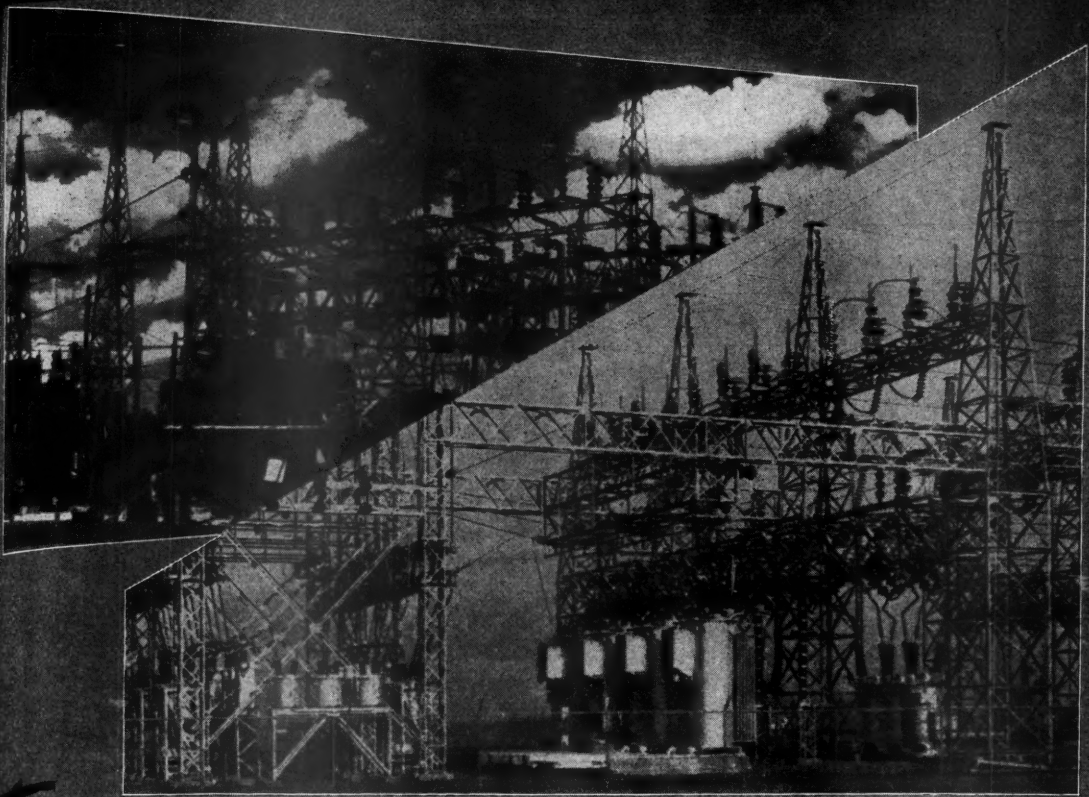
It is therefore *ordered*, that the objections of respondent to the interrogatories propounded to it by Ogden City,

including those interrogatories embraced within stipulation of counsel for Ogden City and respondent be and the same are hereby sustained.

It is *further ordered*, that the request of Ogden City that the proposed rates and charges of respondent be approved only on an interim basis be and the same is hereby denied.

It is *further ordered*, that the rates and charges embraced within the schedule filed by respondent, The Mountain States Telephone and Telegraph Company, on January 5, 1954, and here under investigation, be and the same are hereby approved, and said respondent be and it is hereby authorized to place the same in effect by making the changes in the rate for the toll service effective at 12:01 A. M., January 25, 1954, and by making the changes in the charges for all other services effective on billing dates commencing with January 25, 1954, and subsequent thereto.

It is *further ordered*, that the investigation entered upon by the commission in this case be and the same is hereby terminated.



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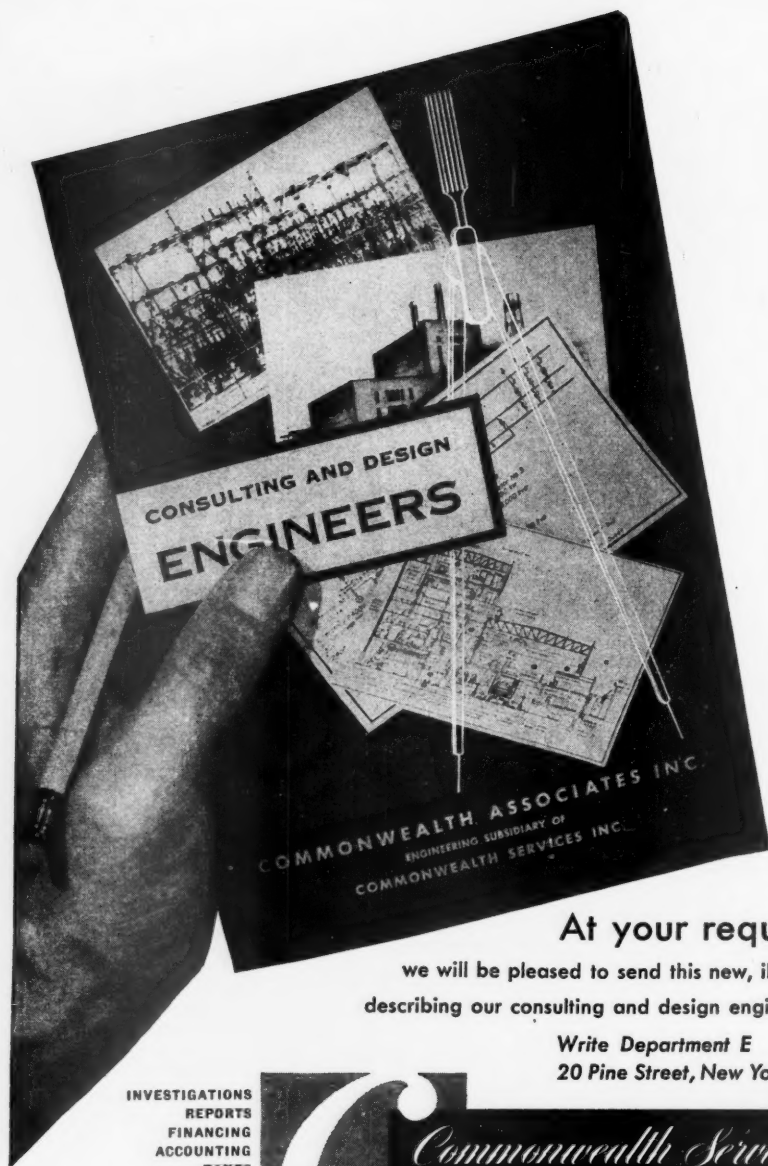
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## Industrial Progress

### 40,000,000 Program Proposed By Atlantic City Electric

ATLANTIC City Electric Company, Atlantic City, New Jersey, will spend 40,000,000 in the next three years for its construction expansion program to meet the electrical requirements of growth forecast during the three-year period, bringing postwar construction to a total of \$93,000,000.

The construction program will total 15,300,000 in 1954, \$12,100,000 in 1955 and \$13,000,000 in 1956.

### G-E to Build Large Mobile Transformer for Louisville G&E

A MOBILE transformer, which will be one of the largest ever built for highway use, has been ordered by the Louisville Gas and Electric Company, it was announced recently by the General Electric Company's power transformer department, Pittsfield, Mass.

The transformer will be used to replace equipment on the line during emergency periods or for general maintenance and will be mounted on a 15-ton, low-bed semi-trailer. It will be a forced-oil cooled, three-phase unit rated 25,000-kva, 60 cycles. Designed as a combined auto and straight transformer, it will have four windings with voltage ratings of 138,000 GrdY, 69,000 GrdY, 37,000 GrdY, and 14,000 volts.

The G-E unit is scheduled for completion in December 1954.

### Montana-Dakota Utilities Plans To Spend \$11,400,000 in 1954

MONTANA - DAKOTA Utilities Company, Minneapolis, Minnesota, made gross plant additions during 1953 totaling \$10,005,952, according to R. M. Heskett, chairman of board. Of this amount, electric additions represented \$5,744,731, gas additions

\$4,018,769 and miscellaneous \$242,452.

The construction budget for 1954 totals \$11,400,000, Mr. Heskett said. Of this, \$6,457,000 is earmarked for electric properties, \$4,797,400 for gas and \$145,600 for miscellaneous properties.

### Booklet on Property Appraisal

THE American Appraisal Company has issued an interesting new 20-page booklet, describing procedures in property appraisal. Entitled, "How You Benefit by American Appraisal Service," it is written in easy-to-read "interview" form and is fully illustrated.

Copies may be secured from The American Appraisal Company, 525 East Michigan street, Milwaukee 2, Wis.

### \$20,000,000 Program Planned By Montana Power

THE Montana Power Company's (Butte, Montana) construction program for 1954 is estimated at \$20,000,000, according to J. E. Corrette, president. Included in the program is the completion of a third generating unit at the Kerr hydro-electric plant, construction of a 161,000-volt transmission line between Anaconda and Billings, purchase of the northern gas properties from Montana - Dakota Utilities Company and extension of gas lines in Canada.

The company will spend at least \$10,000,000 in 1955, including extension of its gas system westward to serve Missoula.

### B&W Appointment

G. A. PROFITA has been named regional manager of the manufacturing department of the Boiler Division of The Babcock & Wilcox Company, according to an announcement by W. D.

Sullivan, vice president in charge of manufacturing.

Previously Mr. Profita had been coordinating manufacturing and production activities at the Wilmington, N. C. and Brunswick, Ga. plants of the company. In his present position, his work will embrace these plants in addition to those at Alliance, Ohio, West Point, Mississippi, and Paris, Texas.

### Wisconsin Power & Light to Spend \$17,000,000 in '54

WISCONSIN Power & Light Company, Madison, Wisconsin, expects to spend \$17,000,000 on construction in 1954.

In the construction budget is \$4,450,000 for work on a second 60,000-kilowatt generator at the new Rock River power plant, where the first unit of the same size was completed recently. Also on the schedule are nearly 275 miles of transmission lines.

(Continued on page 28)

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### Ohio Edison Construction "Heaviest in History"

OHIO Edison Company, Akron, Ohio, is engaged in the heaviest construction program in its history, and spent \$59,011,004 in 1953 for additions and improvements to property, according to W. H. Sammis, president.

Additional capacity at steam-electric generating plants cost \$32,504,393, or 55 per cent of the total expenditures, \$15,066,607 was used for additions to distribution facilities, \$8,767,769 for transmission lines and substations, and \$2,672,235 for steam heating and general property.

### New Self-Operated Flow Regulator Catalog

A NEW self-contained flow regulating device for clean gas-free liquids is described and illustrated in Fischer & Porter Company's Catalog #10-F-70 (four pages).

The catalog is available on request from Fischer & Porter Company, 49 Jacksonville road, Hatboro, Pennsylvania.

### Pennsylvania Elec. Places New Unit in Operation

THE first of two 137,500 kilowatt units has been placed in operation by Pennsylvania Electric Company at its Shawville generating station, near Clearfield, Pennsylvania, on the West Branch of the Susquehanna river.

The station, to cost a total of \$40,000,000, will increase Penelec's effective generating capacity by nearly

50 per cent when the second unit goes into service in July.

The company has its main headquarters in Johnstown and serves about 336,000 customers in 24 counties of western and south central Pennsylvania.

### A-C Appointment

J. W. McMULLEN, general manager of Pittsburgh Works of Allis-Chalmers Manufacturing Co., has been named vice president in charge of transformer and switchgear equipment, according to an announcement by W. A. Roberts, president.

Mr. McMullen will be responsible for operations at Pittsburgh Works and Boston Works and for all transformer and switchgear operations at Hawley, West Allis and Terre Haute plants. He will be located at West Allis Works.

### Lon C. Hill Station Placed in Service

LON C. HILL power station, Central Power and Light Company's big new power plant near Corpus Christi, went into service April 4th.

Lon C. Hill power station's generator is the largest single unit ever installed in a CPL power plant. The plans provide for the addition of several more generating units as needed.

Completion of the station increases the total amount of electric power available, 366,100 kilowatts, or more than three times the supply available in 1946. When the Victoria and Laredo additions go into service early next year, the total net capability of the CPL system will rise to 465,100 kilowatts, or more than four times the 1946 supply.

### Central Hudson Gas & Elec. Has \$69,000,000 Program

DURING the years 1945 through 1954, the Central Hudson Gas and Electric Corp., Poughkeepsie, New York, will have spent a total of approximately \$69,000,000 to expand its facilities, the largest construction program in its history.

In 1951, Central Hudson put into operation the first 60,000 kw unit of its Danskammer Point steam station. The completion of a second 60,000 kw unit at the Danskammer Point site is scheduled for 1954. For the future, Central Hudson is studying the questions of size and timing of a third unit. In addition, in 1953 the company is putting "on the line" its 25,000 kilowatt Neversink hydro-electric plant located near Grahamsville, New York.

### \$250,000,000 Program Planned By Southern Company

THE Southern Company reports that the construction program of its subsidiaries amounted to \$106,000,000 in 1953, the highest in the system's history. The subsidiaries operate in Alabama, Mississippi, Georgia and western Florida.

During 1954, 1955 and 1956, the system companies plan to invest more than \$250,000,000 in new facilities to meet expanding power demands, according to Mr. E. A. Yates, chairman.

(Continued on page 29)

# Elliott

## ADDRESSING MACHINES

offer you the only competition you can find in the Addressing Machine industry. Consult your yellow telephone book or write to The Elliott Addressing Machine Co., 144C Albany St., Cambridge 39, Mass.



### Cleveland Heavy-Duty Backfiller Described in 6-Page Bulletin

THE new Cleveland Model 190 Backfiller, a heavy-duty machine for use in pipe lines and similar heavy construction projects, is the subject of a 6-page, 2-color, descriptive bulletin recently published by The Cleveland Trencher Company.

The outstanding features of the big backfiller are effectively presented in brief copy, with each feature clearly pointed out and located on a large-scale photograph of the Model 190 reproduced on the 3-page inside spread of the bulletin.

The machine's one-man operation, its big 7 ft. backfill board, its balanced traction and its continuous operation of backfilling as it travels, are given special treatment on another page of the folder. Complete dimensional drawings and specifications of

the Model 190 are given on the back cover.

Copies of the bulletin, No. S-118, may be obtained by writing The Cleveland Trencher Co., 20100 St. Clair avenue, Cleveland 17, Ohio.

### Panelboard Planning Booklet Available from Westinghouse

PLANNING commercial and industrial circuit-breaker panelboards is discussed in a new 16-page booklet available from the Westinghouse Electric Corporation.

Advantages of De-ion circuit breakers, and of the dead-front breaker panel to both user and contractor are discussed in this booklet. Characteristics of circuit-breaker panelboards that allow modern circuit protection for commercial, institutional and factory buildings and processing plants also are covered.

In addition, a complete line of panelboard equipment is described, and a new panelboard specification—considerably shorter and less time-consuming than the older type—is suggested.

For a copy of booklet B-6098, write Westinghouse Electric Corporation, P. O. Box 2099, Pittsburgh 30, Pa.

### Mobile Two-Way Radios Operate Interchangeably from 6 or 12 Volt Source

MOTOROLA Communications and Electronics, Inc., has announced a new line of 144-174 mc., 10 and 25 watt FM mobile two-way radios known as the Universal Uni-Channel Series. The new models operate interchangeably from either 6 or 12 volt automotive electrical systems without any circuit modification whatsoever

(Continued on page 30)

*This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Shares. The offer is made only by the Prospectus.*

#### NEW ISSUE

138,656 Shares

## Public Service Company of New Mexico

### Common Stock

(\$5 Par Value)

The Company is offering to its Common Stockholders the right to subscribe for shares of additional Common Stock above described at the rate of 1 share for each 10 shares of Common Stock held of record on April 1, 1954, all on the terms more fully set forth in the Prospectus. The offering to stockholders will expire at 3 P.M., Eastern Daylight Saving Time, on April 27, 1954.

### Subscription Price \$11.25 per Share

During the subscription period and after its expiration, the several Underwriters may offer Common Stock at the prices and pursuant to the terms and conditions set forth in the Prospectus.

*Copies of the Prospectus may be obtained from the undersigned only in such States where the undersigned may legally offer these Securities in compliance with the securities laws thereof.*

### Allen & Company

Rauscher, Pierce & Co.

Quinn & Co.

Coburn & Middlebrook  
Incorporated

April 7, 1954



## Keeps 4 Backfillers Busy

IN OMAHA, NEBRASKA, the Metropolitan Utilities District keeps 4 CLEVELAND Backfillers busy on construction jobs for gas, sewer and water lines.

The photograph shows how easily the Model 80 Backfiller is operated by only one man. It also shows how the 80, traveling parallel to the trench as it works, holds to an absolute minimum any interference with the highway's normal traffic capacity.

The 80 is not only cleanly filling this good sized trench, it is also compacting it simultaneously with its tamper unit, a standard accessory feature of this versatile machine. The results it is obtaining clearly illustrate its ability to backfill fast and efficiently

and at the same time do an outstanding job of compacting the fill. Traveling continuously as it performs both these operations, it conserves on manpower and eliminates the need for attendant equipment.

In addition to backfilling and compaction these Model 80's do side crane work of all kinds, such as the handling and installation of cast iron, steel and concrete pipe, valves, etc.

The repeated purchases of these machines by this municipal utilities body are evidence of the Model 80's ability to deliver consistently satisfactory results through consistent, outstanding performance on a wide variety of job types and sizes.

*Write for descriptive literature and specifications, or get the full story on CLEVELANDS from your local distributor.*



**THE CLEVELAND TRENCHER CO.**

*"Pioneer of the Modern Trencher"*

1200 S. CLAIR AVENUE, CLEVELAND, OHIO

## INDUSTRIAL PROGRESS (Continued)

and feature a patented long-like, dual interrupter all vibrator power supply for operation of both the transmitter and receiver circuits.

The universal 6/12 volt feature is incorporated in these new models is of paramount importance in view of the continuing trend in automotive design from 6 volts to the more efficient 12 volt electrical systems. The universal feature protects the radio investor for an extended amortization period during the transition in the automotive industry. It also permits greater flexibility in the operation of radio equipped fleets having vehicles with both 6 and 12 volt systems.

According to the manufacturer economy of maintenance and operation is keynoted. Tests have demonstrated vibrator life in excess of 150 hours. With the new dual-interrupter vibrator power supply, battery drain is markedly reduced.

Models are available for under-the-dash mounting with local controls and for trunk-mount installation with the microphone, control head and speaker installed near the driver.

Transmitter, receiver and power supply are mounted on separate chassis which are assembled within a compact, drawer-type housing. All operational accessories are included as part of each model. The 25-watt dash-mount type model is also available for 117 VAC utility station operation.

## Brooklyn Union Gas Spending \$4,000,000 on Construction in '55

THE Brooklyn Union Gas Company, Brooklyn, New York, spent \$3,334,000 on construction in 1953.

Expenditures planned for 1954 are placed at \$4,000,000.

## Company Distributes Mailing Machine Handbook

INSERTING and Mailing Machine Company is sending a copy of "Operating and Maintenance Handbook" to each of its machine owners on record. These owners include public utilities, manufacturers, banks, insurance companies and others who employ mechanization to speed and simplify their mailing operations. Running to 64 pages and including over 70 photographs, charts and diagrams—the Handbook contains information of interest to both management and mailing room personnel.

In connection with the distribution of the Handbook, the Company is re-

(Continued on page 32)

# New DODGE "Job-Rated" TRUCKS

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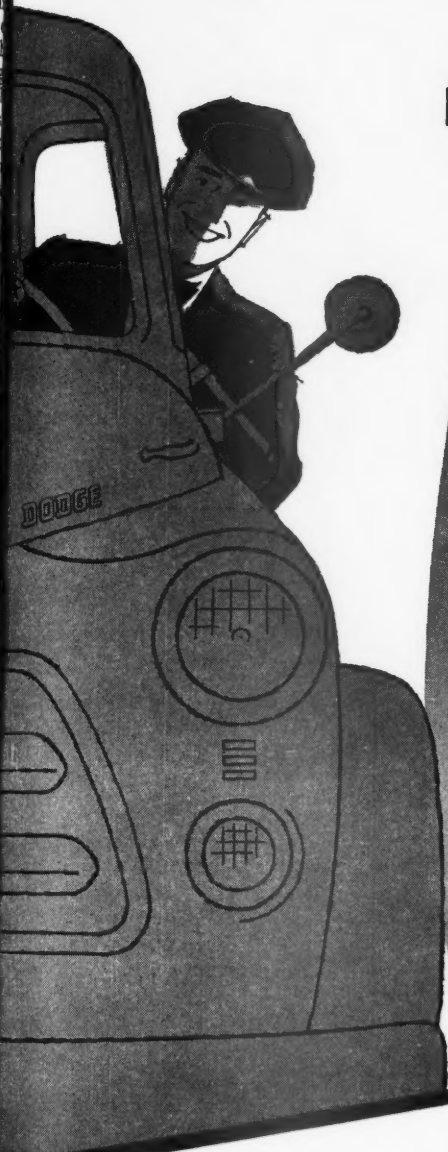
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**NEW! V-8's and Sixes!** Most powerful V-8's in popular field—133 to 172 h.p. Plus famous Dodge Sixes. 7 engines in all.

**NEW! Low-Built Lines!** Built low for better road stability, easier loading, ground-hugging good looks. Lower step for easier cab entry.

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for the man  
at the wheel"**

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See "Break The Bank" with Bert Parks on TV (ABC, Sundays).

Hear "The Roy Rogers Show" on radio (NBC, Thursdays).

See "Make Room For Daddy" with Danny Thomas on TV (ABC, Tuesdays).

Enter the Dodge 40th Anniversary All America Contest. See your dealer.

questing the help of the business public. Shortly after the company went into production over 25 years ago, fire destroyed the plant and most of the records. Contact was established with most of the early owners, but a few remained unknown. Information should be sent to Inserting and Mailing Machine Company, Phillipsburg, New Jersey.

### New York State Elec. & Gas Has \$75,000,000 Program

THE New York State Electric and Gas Corporation, Ithaca, New York, recently reported that it will spend \$75,000,000 in the next three years for expansion and new construction. This will raise the company's construction program since World War II to more than \$235,000,000.

### \$100,000,000 Program Proposed By Wisconsin Elec. Pwr.

WISCONSIN Electric Power Company is planning a large construction program. It is estimated that expenditures over the next 3 years will amount to \$100,000,000.

### So. New England Tel. Adds 41,000 Telephones to Lines

THE Southern New England Telephone Company added more than 41,000 telephones to its lines in 1953, carrying the total past 896,000. The company achieved 100 per cent dial operation in the year.

### Voltage Regulators for Rural Lines Booklet Available from Westinghouse

RURAL application of voltage regulators is discussed in a new 20-page booklet available from the Westinghouse Electric Corporation.

To help clarify the voltage regulator application story for REA's municipals and smaller private utilities not having highly technical engineering staffs, this booklet has been restricted to a non-technical vein. Divided into two equal parts, the booklet first deals with the theory of application of voltage regulators on rural lines.

In this connection, application of voltage regulators to lines with distributed loads, concentrated loads,

and a combination of distributed and concentrated loads is covered.

The second part of this booklet describes in detail the types of voltage regulators available from Westinghouse.

For a copy of booklet B-608 write Westinghouse Electric Corporation, Box 2099, Pittsburgh 30, Pa.

### New High-speed, Sensitive Polar Relay

A NEW "billion operation" polar relay which is claimed to feature exceptional sensitivity for high-speed pulse repeating and dependable performance where low current is transmitted over long lines is announced by Automatic Electric Sales Corporation.

Called the PTW Polar Relay, it has performed billions of operations without readjustment, according to the amendment. No critical adjustments are necessary—spacing of contacts takes only a simple set-screw adjustment.

The relay meets the speed and sensitivity requirements for telegraph typewriters and is recommended for line current direction indication as a differential relay in the "Wheatstone Bridge" type of control.

Compact in size, it measures only 2-7/16" x 2-1/4" x 3-5/16". The snap-on cover is easily removed for visual inspection. Specifications of this new relay are available from Automatic Electric Sales Corporation, 1033 West Van Buren, Chicago 7, Illinois. Ask for Circular 1821.

### PUAA Convention Plans Announced

PUBLIC utilities advertising and public relations executives from all over the U. S., Canada, and several foreign countries are expected in Boston in record numbers for the 33rd annual convention of the Public Utilities Advertising Association at the Hotel Statler May 13th and 14th.

An outstanding slate of speakers for the program, along with convention committee members, has been announced by C. Fred Westin of the Public Service Company of New Jersey who is 1st vice president of PUAA and convention chairman.

Speakers will include prominent utility industry figures and many experts in the field of human communications. Some are:

(Continued on page 33)

*These securities have not been and are not being offered for sale to the public, and this announcement appears as a matter of record only.*

## Hawaiian Telephone Company

(Formerly Mutual Telephone Company)

**\$2,500,000**

**First Mortgage Bonds, Series J, 3.40%,**

**Due February 15, 1984**

These securities were placed privately for investment through the undersigned.

**100,000 Shares**

**Series E 5.3% (Cumulative) Preferred Stock**

**Par Value \$10 Per Share**

Arrangements have been made through the undersigned for the sale of these securities privately for investment.

**Kidder, Peabody & Co.**

April 12, 1954.



## New Upper Structure for Morrison Carry-all Service Bodies

A NEW upper structure which can be added to Morrison carry-all bodies to create a totally enclosed service unit has just been introduced by Morrison Steel Products, Inc.

The latest addition to Morrison's line of special carry-all service accessories, the new upper structure provides a protected, covered working area—six extra inside shelves running the full length of the upper structure—extra cubic feet of covered carrying space—full height, lockable rear doors—and safe driving vision through the rear cab and rear door windows. A Morrison carry-all body equipped with the new upper structure offers all the advantages of the service-type body with its six master-keyed, weathertight compartments plus all the best features of a panel-type body.

The new Morrison carry-all upper structure is available for all carry-all service bodies for  $\frac{1}{2}$ -,  $\frac{3}{4}$ - and 1-ton chassis. It can be purchased with a new body or easily added to carry-all bodies already in service.

Complete information, prices and the name of the nearest distributor are available on request from Morrison Steel Products, Inc., 601 Amherst street, Buffalo 7, New York.

## New R-R Booklet

THE new perfect positioning scale on the Remington standard typewriter designed to eliminate "margin mathematics" for accurate centering and balanced margins is described and illustrated in a recently released brochure.

Copies of brochure are available free by writing to Remington Rand Inc., 315 Fourth avenue, New York 10, N. Y., for booklet R8667, or by phoning the local Remington Rand sales office.

## New Plug-in Time Delay Relay Operates with Silicone Element

A NEW time delay relay combining the advantages of the hydraulic-magnetic silicone operating principle with the convenience of plug-in construction was recently introduced by Heinemann Electric Company.

Complete information on the operating principle and detailed specifications are provided in Bulletin 5201 available from the Heinemann Electric Company, 735 Plum street, Trenton 2, New Jersey.

Raymond Moley, contributing editor, *Newsweek* magazine; Dr. Claude Robinson, president of the Opinion Research Corporation; Leonard Heyfuss, president, United Advertising Corporation; Walter Sammis, president of the Edison Electric Institute and of the Ohio Edison Company; E. H. Eacker, president of the American Gas Association and of the Boston Consolidated Gas Company.

In addition, the majority of convention sessions will deal directly with advertising and public relations

case studies, touching such subjects as institutional and merchandising advertising, and an analysis of utility advertising costs.

As 1954 is the Jubilee Year of the invention of the incandescent electric light bulb, complete details of plans for the international observance of Light's Diamond Jubilee, to reach its climax in October, will be discussed by the delegates.

Another feature of the program will be a definitive presentation on the future of television.

*This advertisement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.*

### NOT A NEW ISSUE

1,500,000 Shares

## The Gas Service Company

Common Stock  
(\$10 Par Value)

OFFERING PRICE \$23.625 PER SHARE

*Copies of the Prospectus may be obtained from such of the undersigned and others as are qualified to act as dealers in securities in this State.*

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April 19, 1954



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(Professional Directory Continued on Next Page)

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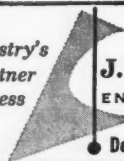
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(Professional Directory Continued on Next Page)

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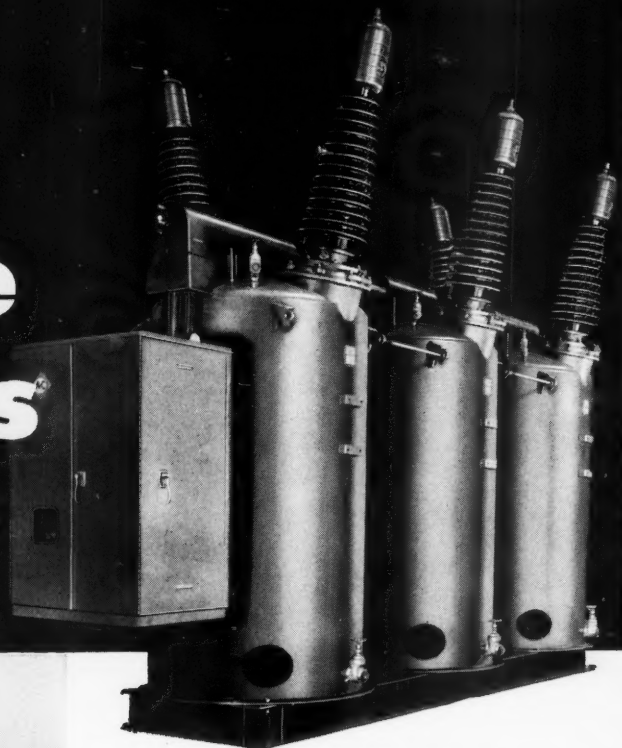
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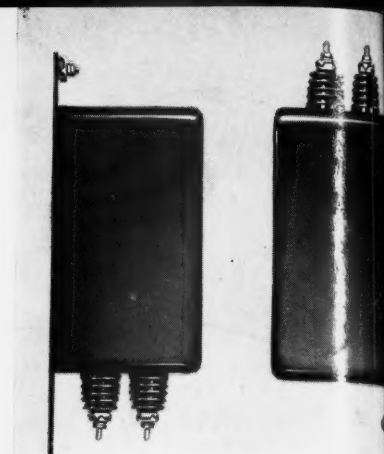
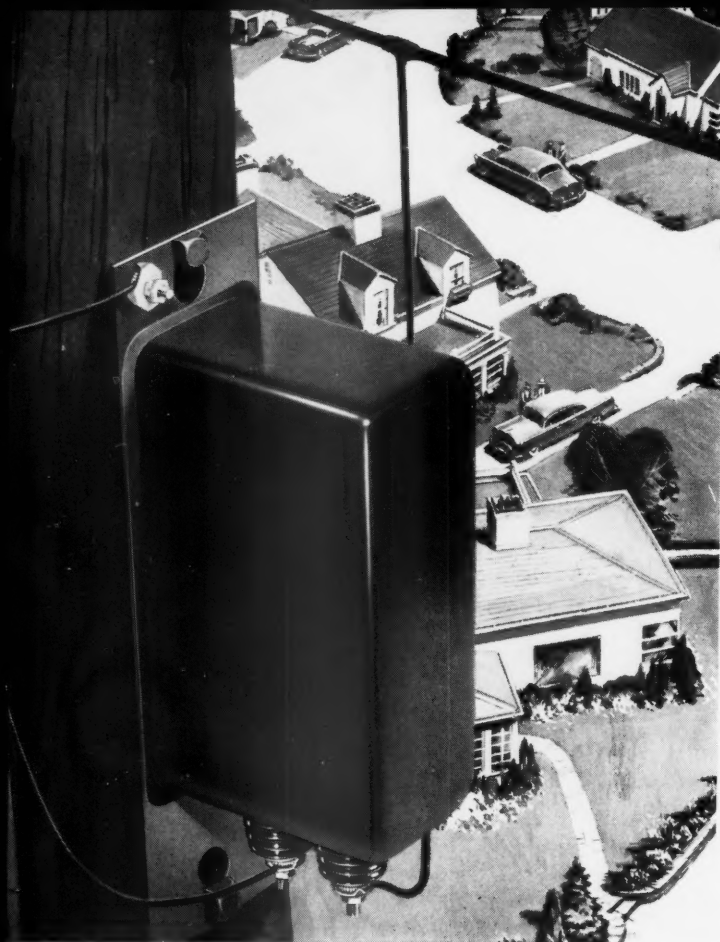
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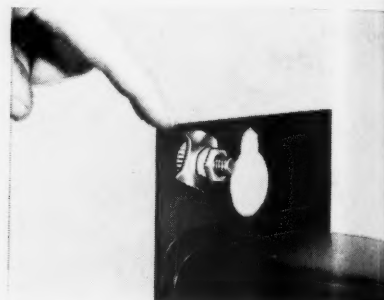
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